

SPECIAL REPORT: EUROPE & THE EURO

Herald Tribune



PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

R

Paris, Saturday-Sunday, May 2-3, 1998

No. 35,820

GE 3

NATO Candidates Hail U.S. Vote for Expansion

*"Thank you, America!" After Senate Approves Polish, Czech and Hungarian Membership*By Jane Perlez
New York Times Service

WARSAW — Poland's leaders and citizenry greeted the U.S. Senate's approval of their NATO membership with relief and delight Friday, praising the vote as the beginning of a promising new era that would overcome a century of dark history.

"Thank you, America!" Prime Minister Jerzy Buzek said on Polish television Friday, breaking into his rarely used English.

In the Czech Republic and Hungary, where public support for NATO membership has been more muted than in Poland, the reaction to the vote in favor of the countries' entry was also enthusiastic.

The Czech president, Vaclav Havel, who is recuperating from an operation, said in a statement that the vote would help build the "foundations of stability in the entire Euro-Atlantic area."

In Hungary, Prime Minister Gyula Horn, a former Communist, said his

country should interpret the favorable vote as a sign that Hungary met "international requirements of freedom, democracy and a market economy."

The governments of the three Central European nations that were given approval in the Senate on Thursday night to join NATO have been working over the last four years toward the vote. They regarded the Senate as the final hurdle, and in order to get its approval the three countries have been trying to reform their militaries and meet standards of democracy and free enterprise required by the alliance.

In Poland, the largest and strategically most important of the three countries, the government watched the maneuvering in the Senate very closely, and by this week politicians and the media were following the debate in minute detail. There was wide coverage of proposed amendments and apprehension that the vote, delayed earlier this month, might be delayed again.

In a statement issued soon after the vote, Mr. Buzek expressed the historical importance for Poland.

"The decision of the United States Senate is the final obliteration of Yalta by the only remaining superpower," he said, referring to the 1945 agreement that placed Eastern and Central Europe under Soviet influence. "The United States has included us in the elite team of NATO allies."

The size of the vote — 80 to 19 — was noted by some with considerable pride.

"Eighty votes in favor is a lot — I believe it's more votes than Germany got in 1954," said the Czech ambassador to the United States, Alexandr Vondra. "It's a communication of trust and confidence, and it is for the first time in the modern history that the Senate of the most powerful country in the world would dedicate its time to such a trifling thing as the Czechs are."

Then, Mr. Vondra added in a stern tone: "People at home should realize what it means."

The Czechs have been the most vocal of the voters in the three countries, with only 50 percent saying in an opinion poll conducted by the Public Opinion Research Institute this month that they favored membership.

In Poland, where there is an instinctive fear of Russia and where the military is the most esteemed national institution, opinion surveys have showed more

See NATO, Page 7

Suharto Puts Lid on Reform Of Politics for 5 More Years

By Cindy Shiner
Washington Post Service

MEDAN, Indonesia — President Suharto on Friday ruled out any chance of political reform before his term ends in five years.

He spoke as students pressed demands for change in clashes with security forces here and in other cities across the country.

"If there is any intention for political reform, it should be prepared for the year 2003, after the present government finished its term," Home Affairs Minister Radan Hartono quoted Mr. Suharto as saying.

Mr. Suharto, at 76 the longest-serving leader in Asia, met with political leaders and government ministers Friday before a meeting Monday of the International Monetary Fund, at which officials are to decide whether to release the latest tranche of a \$43 billion economic bailout for Indonesia.

The March payment was suspended over Jakarta's noncompliance with reform measures. The economic crisis has aggravated political tension in Indonesia, and rocketing prices have encouraged students seeking wide-sweeping change, including Mr. Suharto's ouster.

In Medan, on the island of Sumatra, students hurled gasoline bombs and rocks at hundreds of riot police who had sealed off two campuses. The security forces, armed with truncheons and shields, fired volleys of tear gas.

Students at Mommensens University, near the center of town, drenched tissues and scarves with water to protect their faces from the stinging gas. One student beat out a rhythm on a tin drum while several young men hurled stones at the police over the campus gate.

"It looks like the military isn't here to protect citizens anymore but is going against them," said a student leader, who gave his name only as Haris.

Security forces have largely held back from charging the students so far, but there are growing fears of a crackdown in the absence of any sustainable dialogue with the military or concession by the government or the students.

Mr. Suharto is facing the country's worst economic and political crisis since he took office 32 years ago during a period of unrest. Anti-Communist student demonstrations then helped carry him to power.

At that time, the students had the sup-

See INDONESIA, Page 7

A Top Hutu Pleads Guilty To Genocide

By Stephen Buckley
Washington Post Service

ARUSHA, Tanzania — A former top official of the interim government in Rwanda that directed the slaughter in 1994 of hundreds of thousands of ethnic Tutsi pleaded guilty to genocide Friday and agreed to testify against others accused of planning the massacres.

Before a jammed gallery at the United Nations Criminal Tribunal for Rwanda, Jean Kambanda, prime minister of Rwanda during the 100 days that majority Hutu sought to exterminate the Tutsi, said he was guilty of committing a crime against humanity and of five other genocide-related charges.

Mr. Kambanda, 43, is the highest former government official being held by the tribunal, which has captured 25 suspects accused of playing major roles in connection with massacres that killed at least 500,000 Tutsi and their sympathizers. He is scheduled to be sentenced Aug. 31.

Prosecutors and human-rights activists hailed his guilty plea as a breakthrough for the tribunal, which has been bedeviled by accusations of inefficiency and mismanagement, and said they hoped other suspects would follow his example.

Aside from providing key evidence in future trials, Mr. Kambanda may also supply crucial details of the planning of the genocide and related events, such as the mysterious downing of President Juvenal Habyarimana's plane on April 6, 1994. His death prompted the eruption of ethnic bloodletting.

Virtually all of the suspects at the tribunal, and many of the 130,000 awaiting trial by the Rwandan government, were expected to use denials that a genocide even occurred as a pillar of their defense.

Mr. Kambanda's plea is most likely to create panic among the suspects

about his behavior would persist throughout his term in office.

His words and manner betraying his views of Mr. Starr, Mr. Clinton said Thursday that the independent counsel's inquiry could persist "forever — 10, 20, 30, 40 or 50 years," and consume limitless public funds.

The president refused once more to

AGENDA

Eldridge Cleaver, Ex-Black Panther, Dies

THE AMERICAS Page 3
Clinton to Start Visit in TiananmenINTERNATIONAL Page 5
U.S. 'Encouraged' by Iraqi ActionsBooks Page 5
Crossword Page 3
Opinion Page 6
Sports Pages 24-25

The IHT on-line www.iht.com

Newstand Prices		
Andorra	10.00 FF Lebanon	LL 3,000
Antilles	12.50 FF Morocco	16 Dh
Cameroon	1,600 CFA Qatar	10,00 Dinar
Egypt	£E 5.50 Réunion	12.50 FF
France	10.00 FF Saudi Arabia	10 SR
Gabon	1,100 CFA Senegal	1,100 CFA
Italy	2,800 Lira Spain	225 Pesos
Ivory Coast	1,250 CFA Tunisia	1,250 Dinar
Jordan	1,250 JD U.A.E.	10,00 Dinar
Kuwait	700 Fils U.S. Mil (Eur)	\$120

See RWANDA, Page 7

Melees on May Day



Leftist demonstrators in Leipzig being drenched by water cannons in an effort by the police to keep them away from a neo-Nazi rally.



Riot police chasing leftist protesters who had been throwing stones at a rally in Istanbul. Dozens of militants were reportedly injured.



In Seoul, workers and students clashing with riot police during a protest against job losses in which 20,000 people took part. Page 2.

Testy Clinton Scorns Starr and Inquiry

By John M. Broder
New York Times Service

WASHINGTON — In his first full-scale news conference this year, President Bill Clinton dripped contempt for Kenneth Starr, the independent counsel investigating his private and public conduct, but acknowledged that questions

about his behavior would persist throughout his term in office.

His words and manner betraying his views of Mr. Starr, Mr. Clinton said Thursday that the independent counsel's inquiry could persist "forever — 10, 20, 30, 40 or 50 years," and consume limitless public funds.

The president refused once more to

Europe Bank Duel Goes Down to Wire But Both France and Germany Voice Optimism on Settlement

By Barry James
International Herald Tribune

BRUSSELS — Just hours before they were to meet and anoint the countries that will introduce Europe's historic Economic and Monetary Union, European leaders remained deeply divided Friday over who would lead the Continent's future central bank.

Mr. Santer said he did not expect any new candidate to emerge.

One proposal making the rounds in recent weeks was to divide the eight-year central bank job into two halves, giving the first four years to Wim Duisenberg, the former Dutch central banker and

See EUROPE, Page 11

U.S. Growth Surges

The American economy grew at a surprisingly strong pace this winter and inflation remained unexpectedly subdued.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, growing at a 4.2 percent annual rate in the first quarter, compared with a 3.7 percent rate in the previous quarter. At the same time, the broadest measure of inflation dipped below 1 percent to its lowest rate since 1964. Page 9.

The Dollar		
New York	Friday @ 4 P.M.	previous close
DM	1.7833	1.7958
Pound	1.665	1.6719
Yen	133.45	132.875
FF	5.977	6.023

The Dow		
Friday close	previous close	
+83.7	9147.07	9063.37

S & P 500		
change	Friday @ 4 P.M.	previous close
+82.7	1121.02	1111.75

Germans Ponder Violence

Upsurge in Extremist Attacks After Lull

Touches Off a Scramble to Find Causes

skinhead terror, a phenomenon that peaked with a series of fatal bombings in 1992.

The frequency of racist attacks has taken even the experts by surprise. On Wednesday, Bonn's Interior Ministry is expected to announce that "acts of violence motivated by rightist extremism" registered an increase of around 27 percent in 1997 from 1996, predominantly in Eastern Germany, according to a federal investigative source.

The disclosure, expected in the ministry's annual report to the Federal Office for the Protection of the Constitution, outstrips all other preliminary estimates. As recently as March, the constitutional watchdog agency itself issued a preliminary figure on extremist brutality showing an increase of about 10 percent over the previous year, which itself was the first rise since 1992.

Victims of the attacks are overwhelmingly foreigners — Turks, Africans and Asians — but also include the handicapped, homosexuals and leftists.

Sociologists, who attribute the attacks to unemployment and disillusionment with unification, said the same discontents fueled the unexpectedly strong gains last weekend for a shadowy far-right party in a state election. Shocking the nation with 12.9 percent of the vote in Saxony-Anhalt, the German People's Union entered the statehouse with the widest margins of any far-right party in any postwar German election.

Given the frequency of the attacks, Peter Frisch, professor of political science at the University of Goettingen, said, "I am amazed that almost everyone was taken by surprise. The rising number of rightist extremist attacks was an indication of discontent."

Peter Frisch, president of the Cologne-based constitutional watchdog agency, which monitors extremist groups, said in April that the frequency of violence in the East was three times the rate of the West. Eastern Germany, with only 17 percent of the nation's population, accounted for 45 percent of the attacks, Mr. Frisch said.

Xenophobic doctrines have taken root as unemployment in the East has risen and perspectives for the future dimmed, said Wolfgang Heidelberg, president in Magdeburg of the state Office for the Protection of the Constitution.

See CLINTON, Page 7

See GERMANY, Page 7

Rallies Turn Violent In Seoul and Istanbul

Workers Worldwide Gather for May Day

The Associated Press

SEOUL — Millions of workers across economically ailing Asia and around the world rallied Friday to mark May Day, from rightists in Europe to prostitutes in India.

In Seoul, riot police fired tear gas to disperse 20,000 people protesting job losses.

"No layoffs!" South Korean workers chanted amid the haze of tear gas that filled a central section of the capital.

The workers and student supporters dispersed but quickly regrouped, hurling rocks and garbage at the police.

The district reverberated with exploding tear gas, the workers' slogans and labor songs blaring from loudspeakers.

About a dozen police and protesters were injured; one student was rushed to a hospital with blood covering his face.

The clash was the first violent protest since President Kim Dae Jung took office February.

Mr. Kim is the first opposition leader to rise to power in South Korea, one of many East Asian nations struggling with an economic and currency crisis that set in last year.

May Day injuries also were reported in Istanbul after hundreds of leftist demonstrators attacked the police with stones and clubs.

The police responded with water cannons and truncheons, injuring 42 pro-

testers, the Anatolian News Agency said. Twenty-eight police officers were injured, the agency reported.

Communists and trade unionists held separate, modest rallies in Moscow, where May Day once brought vast crowds of government-deployed workers into the streets.

But in Ukraine, Communists encouraged by recent electoral gains rallied in Kiev chanting, "Long live Soviet power and socialism!"

Rallies elsewhere marking May Day, the international labor day, ran the gamut of worker complaints:

• A rally by prostitutes in Calcutta who want their profession legalized in India.

• More than 2 million people in Japan taking part in 1,000 or so rallies, some carrying banners with slogans such as "Stop Murderously Long Working Hours."

• A vigil in Taiwan in favor of aboriginal tribes who believe they are losing jobs to foreign workers.

• A rally by more than 1,000 people in Malaysia, demanding more protection against feared layoffs.

• A small demonstration supporting thousands of striking dock workers in Australia. The workers ended up disowning the rally, saying the five protesters should not have illegally entered a dock area.



ON GUARD — A Canadian soldier with the NATO-led peace-keeping force in Bosnia keeping watch Friday in the town of Drvar as a delegation of Western peace mediators arrived to hold talks with Bosnian Croat authorities over the return of refugee Serbs.

TRAVEL UPDATE

U.S. Toughens Mexico Travel Alert

MEXICO CITY — The State Department has toughened its advice for Americans traveling to Mexico, responding to a surge in violent crimes against tourists here and mounting complaints from Americans that the government had not adequately warned them about the dangers.

A revised Consular Information Sheet issued Thursday says for the first time that the crime rate in Mexico City "has reached critical levels" and warns of a "marked increase in the level of the violence of the crimes committed, including what appears to be a significant incidence of sexual assaults."

Have Stocks Topped?
Stocks Will Have a Bear Market.
If you share the opinion it's time to look at alternative investments call for my free currency trading information package today.

SUPERIOR OUTSTANDING Global Currency Services
EXECUTION FEE FREE Execution Forex or Futures
MINIMUMS \$10,000 to \$2,000,000 (USD)
COMMISSION 2-5% Spreads Futures \$12-\$25

For My Complimentary Services Guide, Latest Research Reports, Opinions and Performance Records Call: 24 hours Toll-Free:

Australia 1-800-214-2414 Belgium 02-220-0000
Canada 1-800-214-2414 Denmark 02-220-0000
France 0800-902-2248 Greece 0800-192-13013 Germany 010-288-22665
Hong Kong 1677-10002-7208 Israel 1777-10001-02 Italy 1677-10002-7208
Japan 0031-10245 Lichtenstein 0040-4532 N. Zealand 0040-41820
Mexico 958-000-94178 Netherlands 0040-41820 N. Africa 0040-41820
Portugal 0040-41820 Norway 0040-41820
Thailand 0040-41820 Singapore 0040-41820 Switzerland 0040-41820
UK 0040-41820 Thailand 0040-41820

US-Toll Voice Line +714-376-8020 US-Toll Fax Line +714-376-8025

"In several cases," it adds, "tourists report that uniformed police are the crime perpetrators, stopping vehicles and seeking money or assaulting and robbing tourists walking late at night."

The State Department does not recommend that Americans refrain from traveling to Mexico but counsels them to "use caution" in practically every part of the country. (NYT)

United Airlines and Delta Air Lines have agreed to an alliance that would control more than one out of every three seats on U.S. airlines. The deal would link the two airlines' route systems, tie together their frequent flier programs, allow qualifying passengers access to each other's airport club rooms and permit selling seats on each other's planes. (AP)

Security was tightened along Japanese "bullet train" lines Friday after saboteurs removed bolts from one stretch of track. The police said stations across the country had received letters warning of further sabotage during the peak holiday period known as Golden Week that begins next week. (Reuters)

Northwest Airlines and KLM Airlines will ban smoking on all flights worldwide as of Aug. 1. The alliance partners allow smoking only on their transcontinental flights to (Reuters)

Air New Zealand has added a seventh weekly flight from Auckland to Los Angeles and London. It will offer a ninth Auckland flight to Los Angeles on Sundays from Dec. 6 to next March 29.

Philippine Airlines has cut its Tuesday flight to Frankfurt, reducing service from Manila to six times a week, "to ensure the flag carrier's continued operation amid the currency crisis." (AFP)

Parking will be free Sunday at the Roissy-Charles de Gaulle Airport north of Paris if a strike planned by parking lot attendants is not canceled. (AFP)

RELIGIOUS SERVICES

AMSTERDAM

CROSSROADS INTERNATIONAL CHURCH (International Christian & Evangelical) Sunday Service, 10:00 a.m. & 11:30 a.m./Kids Welcome, Do Custerstraat 3, S, Amsterdam Info. 020-641 8812 or 020-6451 653.

FRANCE/TOULOUSE

HOPE INTERNATIONAL CHURCH (Baptist) 4, bd de Picardie, 31000 Toulouse. Sunday service 8:30 p.m. Tel. 05 62 74 11 55.

FRENCH RIVIERA/CÔTE D'AZUR

NICE: Holy Trinity (Anglican), 11 rue Buffon, Sun. 11; VENCE: St. Hugh's, 22, av. Residence, 9 a.m. Tel. 33 04 63 17 82.

FRANKFURT

ENGLISH SPEAKING BAPTIST CHURCH, 56, rue des Bons Enfants, 69000 Rouen-Malmaison. Worship: 8:45-9:15 a.m. Sunday. For info: Tel. 01 47 51 29 65/01 47 49 15 29 or <http://www.geocities.com/park/memo1382>.

HOPPE INTERNATIONAL CHURCH

HOPPE INTERNATIONAL CHURCH (Baptist) 10, rue de Neuilly. Worship: Sundays, 10:00 a.m. Rev. Frederic Henry. Pastor: T. 01 43 33 04 06 Metro 1 to Defense Expressline.

PARIS and SUBURBS

PARIS (French) SAINT PETER'S CHURCH (Episcopal/Anglican) Sun., Holy Communion 9 & 11 a.m. Sunday School and Nursery care. Third Sunday 5 p.m. Evensong, 23, avenue George V, Paris 75008. Tel.: 33 01 53 23 00. Mgr. George V or Alma Marceau.

FLORENCE

HOPE INTERNATIONAL CHURCH (Baptist) 4, bd de Picardie, 31000 Toulouse. Sunday service 8:30 p.m. Tel. 05 62 74 11 55.

FRANKFURT

CHURCH OF CHRIST THE KING (Episcopal/Anglican) Sun., Holy Communion 9 & 11 a.m. Sunday School and Nursery care. Third Sunday 5 p.m. Evensong, 23, avenue George V, Paris 75008. Tel.: 33 01 53 23 00. Mgr. George V or Alma Marceau.

GENEVA

EMMANUEL CHURCH, 1st & 3rd Sun. 10:15 a.m. Eucharist 8:45 a.m. Sun. Morning Prayer 3 a.m. du Montet, 1201 Geneva, Switzerland. Tel: 0122 73 80 78.

MUNICH

THE CHURCH OF THE ASCENSION, Sun. 11:45 a.m. Holy Eucharist and Sunday School, Nursery care provided. Seydelstrasse 4, 81545 Munich (Harlaching). Germany. Tel: 089 64 81 85.

ROME

INTERNATIONAL CHRISTIAN FELLOWSHIP, 8000, Via XX Settembre 11, 00198 Rome. Choral Eucharist Rite I: 10:30 a.m. Church School for children & Nursery care provided; 1 p.m. Spanish Eucharist. Via Napoli 58, 00184 Rome. Tel: 396 498 3339 or 396 474 3556.

BRUSSELS/WATERLOO

ALL SAINTS' CHURCH, 1st Sun. 9 & 11:15 a.m. Eucharist. All other Sundays: 11:15 a.m. Holy Eucharist and Sunday School. 863, chaussée de Louvain, Oshain, Belgium. Mail: 60, rue Colaës, 1410 Waterloo. Tel: 322 304-3550.

WIENNADE

THE CHURCH OF ST. AUGUSTINE OF CANTERBURY, Sun. 10 a.m. Family Eucharist. Frankfurter Strasse 2, Wienwald, Germany. Tel.: 49611 305574.

BERLIN

INTERNATIONAL CHURCH OF CHRIST, 13, rue Vernier, English service, Sunday evening 18:30, pastor Roy Miller - Tel.: (04 93) 24 92 61.

NICE - FRANCE

I.B.C., 13 rue Vernier, English service, Sunday evening 18:30, pastor Roy Miller - Tel.: (04 93) 24 92 61.

ZURICH

INTERNATIONAL PROTESTANT CHURCH, English preaching, worship service, Sunday School & Nursery, Sundays 11:30 a.m., Schanzengasse 21, Tel.: 01 222222.

COUNTRY CURRENCY

FOR OTHER COUNTRIES, PLEASE CONTACT YOUR NEAREST IHT OFFICE

EUROPEAN BAPTIST CONVENTION

BERLIN

I.B.C., Berlin, Rothenburg Str. 13, (Siegitz) Sunday, Bible study 10:45, worship Service 12:30 noon. Charles Borromeo, pastor, Tel.: 030-744-4670.

PRAGUE

I.B.C., the Javutza, Karlovska 64, Auditorium 1045. Worship Sun. 10:00. Tel.: 071 715367

BREMEN

I.B.C., Hohenstaufen, Hermann-Böse-Str. Worship Sun. 17:00, Pastor telephone: 0421 78 642

BUCHAREST

I.B.C., St. Genesius 2, This is next to Gredina Iosefini, 1145 - 13:15. Contact Pastor Bill Bowles, Tel.: 030-0273 or 321-3472.

BRATISLAVA - SLOVAKIA

I.B.C., meets at Morics Zsigmond Str. 10, 1000 Bratislava 2. Next to McDonald's. Tel.: 02 503-2203.

WATERLOO

WATERLOO BAPTIST FELLOWSHIP Sun. 19:00 at Swedish Church, across from MacDonalds, Tel.: (02) 353 1655.

ZURICH - SWITZERLAND

I.B.C. of Zurich, Gletschstrasse 38, 8003 Rüschlikon, Worship Services Sunday morning 10:30. Tel.: 1-481018.

GENEVA

I.B.C., World Trade Center, 36, Drashan Bldg., 1000 Genève 12, Switzerland. Tel.: 022 712 00 00.

BERLIN

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

BERLIN

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHURCH IN BERLIN, co. of Guy Allee & Postdamer Str. S. 920 a.m., Worship 11 a.m. Tel.: 030-613201.

GENEVA

AMERICAN CHUR

+44 171 420 0348



THE INTERMARKET

FRIENDSHIPS



EDITH BRIGITTA FAHRENKROG

THE INTERNATIONAL PARTNERSHIP AGENCY IN EUROPE
MATCHING THE RIGHT PARTNERS IN MY BUSINESS,
PERSONAL INDIVIDUAL ASSISTANT IN MY SERVICE,
CONFIDENCE IS MY HIGHEST PRIORITY.

FRANKFURT

LONDON

PARIS

NEW YORK

EXCLUSIVE
INDIVIDUAL
CONFIDENTIALHEAD OFFICE FRANKFURT, D-60316 FRANKFURT, BIELEFELDSTR. 51, GERMANY
TEL: +49-69-43 1979 - FAX: +49-69-20 66MAYFAIR OFFICE: MON-FRI 9 AM - 6 PM
LONDON W1X 5PD, MAYFAIR 10 STRATFORD STREET
TEL: +44-171-54 8543 - FAX: +44-171-54 8570PARIS OFFICE: MON-FRI 9 AM - 6 PM
PARIS 75008, 72 RUE FAUBOURG ST-HONORE
TEL: +33-1 40 07 80 48 - FAX: +33-1 40 07 80 48U.S.A. OFFICE: NEW YORK, NY - 10019, 730 FIFTH AVENUE, 9TH FLOOR
TEL: (1) 212 - 333 - 5785 - FAX: (1) 212 - 333 - 8728PERSONAL APPOINTMENTS ALAN PINELLA INC.
HOME - GENEVA - VIENNA - MIAMI
LOS ANGELES - SINGAPORE - HONG KONGCHARMING MEDITERRANEAN BEAUTY
WITH GREAT CLASS CAPTIVATING BY HER YOUTHFUL CHARM AND
FEMININE WARMTH IN HER YOUNG 30/31/YR. A VERY BRIGHT,
GRACIOUS AND ELEGANT WOMAN WITH A CHARMING PERSONALITY.
EUROPEAN BACKGROUND WITH HIGH LEVELS OF UNIVERSITY DEGREE. SHE
IS VERY SUCCESSFUL IN HER INTERNATIONAL CAREER. VERY WELL
BALANCED AND HAS A LOT OF ENERGY. A GORGEOUS PERSONALITY WHO
LIKES TO DANCE, EAT, DRINK, TRAVEL, SHOP AND ENJOY HER
SOCIAL LIFE A PERT HOSTESS INT'L GRAND CUISINE. GIVING GREAT
SIGNIFICANCE TO HARMONY AND AESTHETICS. SHE IS LOOKING FOR THE
RIGHT PARTNER TO ENJOY A HAPPY LIFE TOGETHER.HE IS A PROFOUND SOME OF THE MOST ADMIRE COMPANIES
WORLDWIDE - VERY WEALTHY AND REMARKABLE A MAN WITH A
GREAT SENSE OF RESPONSIBILITY, CHARISMATIC, ACTIVE AND STRAIGHT-
FORWARD, A CHARMING CHARACTER. MIDDLE AGE, 40-45 YEARS OLD.
MASTERS OF FINANCIAL AND INDUSTRIAL SPORTS. HE HAS
HAS A DYNAMIC PERSONALITY AND AN EXCELLENT BACKGROUND. A REAL
FAMILY MAN WITH STRONG SENSE OF TRADITION AND VALUES. WHO ENJOYS
ACTIVITIES IN FINANCIAL, INDUSTRIAL, POLITICAL AND SOCIAL AREAS.
AND ONLY WOMAN BY HIS SIDE - WILL BE HIS COMPANION AND SHARE THE
BEST OF THEIR VITAL LIFE...

PLEASE CALL

SUCCESS, WEALTH, POWER...

LOVE?

It's unlikely that, when Edward VIII and Wallis Simpson were introduced by a mutual friend, they realised their lives would change forever; after all, there were empires to run. And what Edward and Wallis knew then, you know now - for successful, wealthy, powerful men and women, love is not easy to find. I know that too. I also know that, without their wise friend, the meeting which changed the lives of the Duke and Duchess of Windsor may never have happened. Every successful person needs such a friend. If you are at the peak of your profession and are too busy to meet that special someone, let me be such a friend to you; I guarantee it will introduce you to your ideal partner. For an introduction that will change your life, contact me on +33 (0)45 427 321 or +(0)33 608 461 120 (mobile). For marriage only.

PARTNER SEARCH
INTERNATIONAL

LONDON office: 1 Northumberland Avenue, Trafalgar Square, London tel. +44 (0)171 572 5500, fax +44 (0)171 753 2524
PARIS office: 12-14 Rond point des Champs Elysees, Paris tel. +33 (0)1 535 14 14, fax +33 (0)1 535 14 00
GENEVA office: Rue du Rhone 14, Geneva tel. +41 10 219 1919, fax +41 10 219 1900
ISLE OF MAN headoffice: 56 Bucks Road, Douglas, Isle of Man, tel. +44 (0)1624 615 442, fax +44 (0)1624 615 442 (USA on request)

MEETING POINT

Meeting Point

"GUIDE, PHILOSOPHER & FRIEND" - Distinguished Scandinavian gentleman, chairman of international company (London based and with home also in London). Friend based and with home also in London. Very successful businessman, 40-50, with zest for life, who enjoys travelling, very stylish, elegant, refined, cultured and as a passion for luxury and refinement - as travelling companion and business in connection with international meetings and cultural excursions. A certain sense of humor and intellectual interests would be appreciated together with a good knowledge of foreign languages. A sense of humor, warm sensibility, intelligence and magnetism would in no way represent an obstacle. Please contact me for further information in my respect. Write in strict confidence. Enclosing recent photo to Box No 575 INT, 63 Long Acre, London WC2E 8HJ

Meeting Point

BEAUTIFUL BLUE EYED BLONDE seeks successful, kind & generous gentlemen for a mutually rewarding liaison. RSVP Karen Chicago (312)649-9055

See Monday's Intermarket
for Recruitment, Education,
Professional Services.
To advertise contact Sarah Wendorff
on +44 171 520 0320
or fax +44 171 520 0338
A GREAT DEAL HAPPENS
AT THE INTERMARKET

International
Herald Tribune
ads work

Escorts & Guides

BELGRAVIA

ORCHIDS

LONDON - EUROPE

THE FINEST & THE MOST SINCERE
PROFESSIONAL, BEAUTIFUL & ELEGANT
SECRETARIES, AIR HOSTesses &
MODELS - AVAILABLE AS
YOUR COMPANION CANADA
Escort Agency Credit Cards Welcome
TEL: LONDON ++ 44 (0)

0171 589 5237

HIGH SOCIETY

Worldwide Executive Escort Service
Select High Class Models
NO LONDON: 0171 265 1033
PARIS ZURICH BRUSSELS
PRAGUE ROMA NY USA BOMBAY
TEL: ++44 (0) 7000 44476
View Model Gallery
INFO: wmb@bt-int.net

SWITZERLAND-GERMANY-BELGIUM

++31-20-427 28 27
Zuid-Hollandse Kust - Den Haag -
Frankfurt-Main - Cologne - Bonn -
Dusseldorf - Munich - Hamburg - Berlin -
Brussels - Antwerp - Luxembourg -
TRAVEL SERVICE WORLDWIDE -
LONDON: (0)171-978 6606
COSMOS Escort Agency - Credit Cards

International
ESCAPORTS.
WORLDWIDE

World's top International beauties
NY USA: Hodges: 1-212-765-7896
OFFICE@INTL-ESCAPORTS.COM

YASMIN'S EXECUTIVE TOP FASHION &
GENUINE INT'L PHOTO MODELS

MODEL LINK
Have a private confidential meeting to
view our Int'l Portfolio Worldwide
++44 (0) 7000 822 822
ROYAL PLATINUM ESCORT SERVICE

VENUS IN FURS
24HR WORLDWIDE ESCORT SERVICE

LONDON 0171 362 7000
All cards Advance bookings welcome

PARIS
High Escort Service ++44 79 637 7884

For Elite Girls +39 (0334)17724 cards

MILAN * ROME * TOP ESCORT
Travel Paris Roma Zurich Geneva UAE

YOLVS 4 DOLLS ESCORT SERVICE
MILAN-ROMA-ATHENS-PARIS
BRUSSELS-GERMANY-SWITZERLAND
COTE D'IVOIRE-SCANDINAVIA-SPAIN

Tel. +39 (0) 338 618 048 Credit Cards

ZURICH
CAROLINE Escort Service
Tel. 079 / 403 30 61

AMSTERDAM - DREAMS - ESCORTS
and Dinner Date Service for Him or Her
Tel. +31 (0) 20 64 02 669 / 64 02 111

PARIS
EURO ESCORTS
+3120-576-2211 / 416-5422-124
service@euro-escort.com

SWITZERLAND-GERMANY-BELGIUM

++31-20-427 28 27

Zürich-Geneva-Basel-Bern
Frankfurt-Main-Munich-Hamburg-Berlin
Brussels-Antwerp-Luxembourg
TRAVEL SERVICE WORLDWIDE

LONDON: (0)171-978 6606
COSMOS Escort Agency - Credit Cards

AMSTERDAM BERNADETTE
Escort Service - Dinner Dates
Tel. 031 95 36 or 031 08 43

WORLDWIDE ELITE — gabriele thiers-bense — MARRIAGE MEDIATION

the sophisticated introduction...
- BRITISH STAR-LAWYER, LLD., 50/6'2"

SENIOR-PARTNER of one of the WORLD's largest LAW FIRMS

A renowned High-Society World Citizen of the "finest edition" with a remarkable international reputation - Unusually young in his entire personality and of stunning appearance... VERY BRITISH, in perfection elegant, with delightful courteous manners, gallant and witty, obviously always ready for a nice mental fight...! This EXTRAORDINARY, EXCITING "HE-MAN" is a born winner, who, inspite of Global success, cares more for simplicity & genuineness than for present, but prefers throughout his privacy individualism in lifestyle & mental independence. According to these demands he seeks - and definitely deserves - a very unique & beautiful woman below forty, presenting class & natural sophistication FOR MARRIAGE ONLY! We request written applications.

Daily 11-19 hrs. • Germany • 82031 Munich-Grünwald • Otto-Heilmann - Str. 5 • By appointment
Represented in Paris — Berlin — the USA — Singapore — Melbourne



Exclusively for you...

Personally since 1975

Tel: +49 - 89 - 649-2205

Fax: +49 - 89 - 649-2224

...to the best in international society

WE OPEN HORIZONS for YOUR HAPPINESS!

With this DISTINGUISHED COUNT of famous ARISTOCRACY

SHOULD YOU ALSO BE OF ARISTOCRATIC DESCENT, seeking a purity-marrige within your own circles, then this SUPERB GRANDSEIGNEUR and PATRON of historical culture & art - maintaining his own traditional heritage just as responsibly as he cares for his beloved descendants & family members - will meet your customs! With 65/60 tall, slim, dynamic, honored and highly esteemed, he represents GRANDE NOBLESSE, the elegance and sophistication of era & class which has become rare! The refined, family oriented countrylife, being entre nous and enjoying the world together is his simple understatement... In regard to his future wife he appreciates an age difference of twenty years and children are welcome! We request written applications.

Friendships

PARISIAN AREA, absolute Young woman
34 years old, marketing executive
and blue-blooded, eyes, blonde
blonde, very educated, living in USA, met
her, she is private life, works in over
30 years old, her husband dead
good personality, Madame Deneuve,
42 Bd Haussmann, 75009 Paris Tel: +33
(0) 43 12 33 12

PARISIAN AREA + 67, 52 year old man,
surgeon, owner of his own clinic and
horse farm. Divorced, evident change
when he meets you, tall, dark, laughing
green eyes, tan skin, wearing light clothing
style, loves polar, Italy, horse
sea, open spaces. Gentle, generous.
Offers quality life in most cases.

HANDSOME BUSINESSMAN, 39, very
handsome, likes to travel, wants to
sponsor your modern or academic
dreams. Serious responses requested
only from tall, well-educated women
age 18-25. Tel: 011-431232

ASIAN LADIES seek matches. Dine
ICE BREAKERS, 54 Orchard Rd, 10-10
Far East Shopping Ctr, Singapore
238881, Tel: 65-2747445, Fax: 65-225
3780, http://www.g2c.consilios.com

ATTRACTIVE GERMAN WOMAN, 29
tall and slim, seeks a wealthy and very
generous older gentleman for a degree
after Box 397, INT, Friedrichstrasse 15
D-6032 Frankfurt-Main, Germany

RUSSIAN LADIES want to meet
men: Details Euro 585, P.O. Box 88891,
Atlanta, GA 30334 USA, Fax:
770-575-7383, www.eurodates.com

YOUNG LADIES WORLDWIDE seek
businessmen. Details and photos
free! HERMES, Box 610186, D-1032
BERLIN FAX: +49-30-2529775

GENERAL

Personals

Announcements

Announcements

Autos Tax Free

TELECOMMUNICATIONS

New Lower International Rates!

France..... 27¢

Italy..... 34¢

Japan..... 36¢

Singapore.. 33¢

UK..... 17¢

Investor Glamor? Choose Manure!

Manure? Another unmet gift
of nature. Buried until the winter
pollution crisis dawned. Now
we're solving that mess. And more.
We've used hi-tech means to turn
manure into a priceless global
commodity. It's not the most
glamorous product in the world,
but it's definitely green. It's also
the biggest agro-advance to take
root in the developing world.
Want to join us? Mail or fax us
now for details of an AI limited
offer, without obligation.

Name: _____

Address: _____

Tel Office: _____

Tel Residence: _____

Mail to: Management of
Environment Solutions and
Technology, Stadhouderskade
142, 1074 BA Amsterdam, NL
Fax: +31 20 6794007

Paris and Suburbs

Real Estate for Rent

Paris Area Furnished

Super Low Rates!

To the U.S.:

France 19¢

Germany 16¢

Switzerland 19¢

U.K. 12¢

Netherlands 16¢

Hong Kong 25¢

Discount up to 30%

On planes and US ships & Post
5750 Regency Dr., Suite 1570
McLean, VA 22101-4545
317-755-4555 Fax 317-755-3121

New World Books

The Original kallback

Tel: 1.206.599.1991

Clinton 'Encouraged' by Iraqi Actions

By Philip Shon
New York Times Service

WASHINGTON — President Bill Clinton says he is encouraged by Iraqi cooperation with United Nations weapons inspectors and that he expects to reduce the number of U.S. troops who are deployed in the Gulf region to keep watch on Iraq.

The president's remarks about Iraq were more conciliatory than those heard from other U.S. officials in recent weeks, although Mr. Clinton appeared again to rule out an early end to the international sanctions that were imposed on Iraq after it invaded Kuwait in 1990.

"We are encouraged by the level of compliance so far with the UN inspections and by the evidence that has been adduced on the nuclear side that more progress has been made," Mr. Clinton said at a news conference Thursday at the White House.

Under threat of an American-led mil-

itary attack early this year, the government of President Saddam Hussein allowed greater access to UN arms inspectors seeking evidence that Iraq has stockpiled chemical, biological or nuclear weapons.

On Monday, the UN Security Council decided to extend sanctions against Iraq after inspectors reported that it was still far from providing full disclosure on the issue of chemical and biological arms.

Still, Mr. Clinton said there was good news on Baghdad's cooperation with inspectors from the International Atomic Energy Agency, an arm of the United Nations that polices nations for evidence that they are developing nuclear weapons.

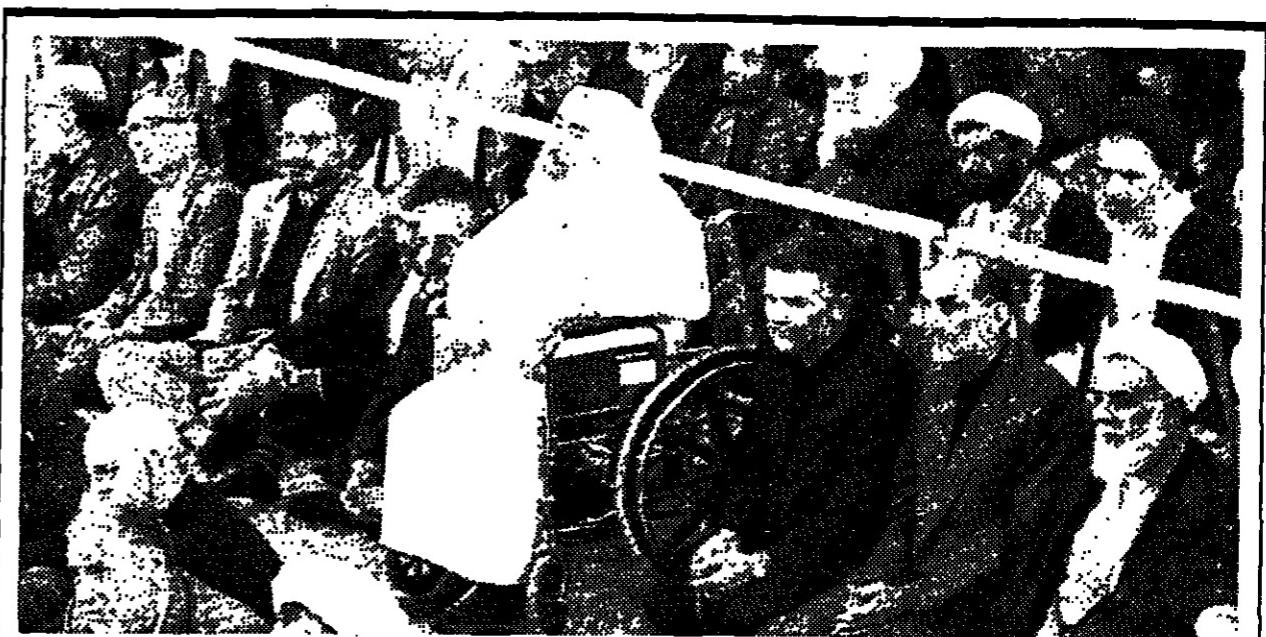
The agency is close to declaring Iraq free of nuclear arms, an action that could allow Baghdad to avoid intrusive inspections of its nuclear programs in the future. In a report last month, the agency said its inspections had found no evidence of prohibited equipment or materials.

Mr. Clinton said that "if Baghdad will continue to work with us," the UN could move by October to reduce the severity of the nuclear monitoring. "This is just the nuclear piece, but I am encouraged by that," he said.

The president's remarks are expected to raise concern among arms-control specialists, many of whom have accused the Atomic Energy Agency of complacency and said that Iraq's record of deception and its wealth of talented scientists suggests that it could quickly recreate an atomic program once rigorous inspections ended.

Mr. Clinton said he would wait for a Pentagon recommendation before removing any of the American military force that is now patrolling the Gulf region. The force includes two aircraft carriers and more than 300 warplanes.

"In he added, "Inevitably, unless we believe there is some reason for it to be there, at some point in the future I would anticipate some reallocation of our resources."



The crippled leader of the Palestinian group Hamas, Sheikh Ahmed Yassin, at prayers Friday in Tehran.

Netanyahu, With Gore, Hints at Compromise

Compiled by Our Staff From Reuters

JERUSALEM — Prime Minister Benjamin Netanyahu suggested after a meeting Friday with Vice President Al Gore that he would meet the Palestinians halfway in the dispute over an Israeli troop pullback in the West Bank.

But he also noted that a "considerable" gap remained between Israeli and Palestinian positions before a key push in London next week to revive the deadlocked peace talks.

Mr. Netanyahu said at a news conference with Mr. Gore that he hoped an agreement could be found when he and the Palestinian president, Yasser Arafat, met Secretary of State Madeleine Albright separately in the British capital on Monday.

But he said that "if the Palestinians come in with a fixed position and say we will not budge, only Israel should budge, and that budging on our side compromises our security, I would say that's not a recipe for success."

Nevertheless, Mr. Netanyahu sounded a positive note about the possibility of a breakthrough. "My optimism tells me that I hope we will have an agreement in London," he said.

Israel's best offer until now has been a pullback from 9 percent of the land, while the Palestinians have accepted a U.S. proposal for a withdrawal from 13 percent as the absolute minimum.

Mr. Netanyahu said that if Israel was to budge, he expected an "equal effort"

from the Palestinians, suggesting he might settle for the halfway mark of 11 percent. Israeli officials have said in the past that Mr. Netanyahu was considering an 11 percent withdrawal.

U.S. officials have said they expect both sides to make difficult decisions in London. But Mr. Netanyahu seemed ready to face down the Clinton administration, saying Friday that Israel's friendship with the United States would not stand or fall over the London meeting.

Mr. Gore, who was in Israel to join celebrations of the Jewish state's 50th anniversary, met Mr. Netanyahu for almost three hours. He said their discussions, which extended for part of the time to include key Israeli ministers and the U.S. special envoy Dennis Ross, had covered the U.S.-Israel relationship. "I have not seen it as part of my role here to negotiate," he said.

Mr. Gore left for Saudi Arabia on Friday but was due to return on Saturday for talks with Mr. Arafat in Ramallah, in Palestinian-controlled West Bank.

Speaking in Ramallah, Mr. Arafat said Friday that the peace process was "passing through great difficulties as a result of Netanyahu's actions, which are against peace."

At a news conference with Foreign Minister Javad Anani of Jordan in Ramallah, he said, "The London talks will be decisive and will have important results for peace in the Middle East." Mr. Arafat

said he had accepted the U.S. peace initiative, under which Israel would pull back from 13 percent of the West Bank in return for former Palestinian action against militants.

Palestine Liberation Orga-

nization officials said Mr. Arafat wants the U.S. administration to put public pressure on Israel to accept the initiative. Mr. Arafat said he would not make further compromises.

(AP, Reuters)

Tehran Objects to U.S. Charge of Terrorism

Compiled by Our Staff From Reuters

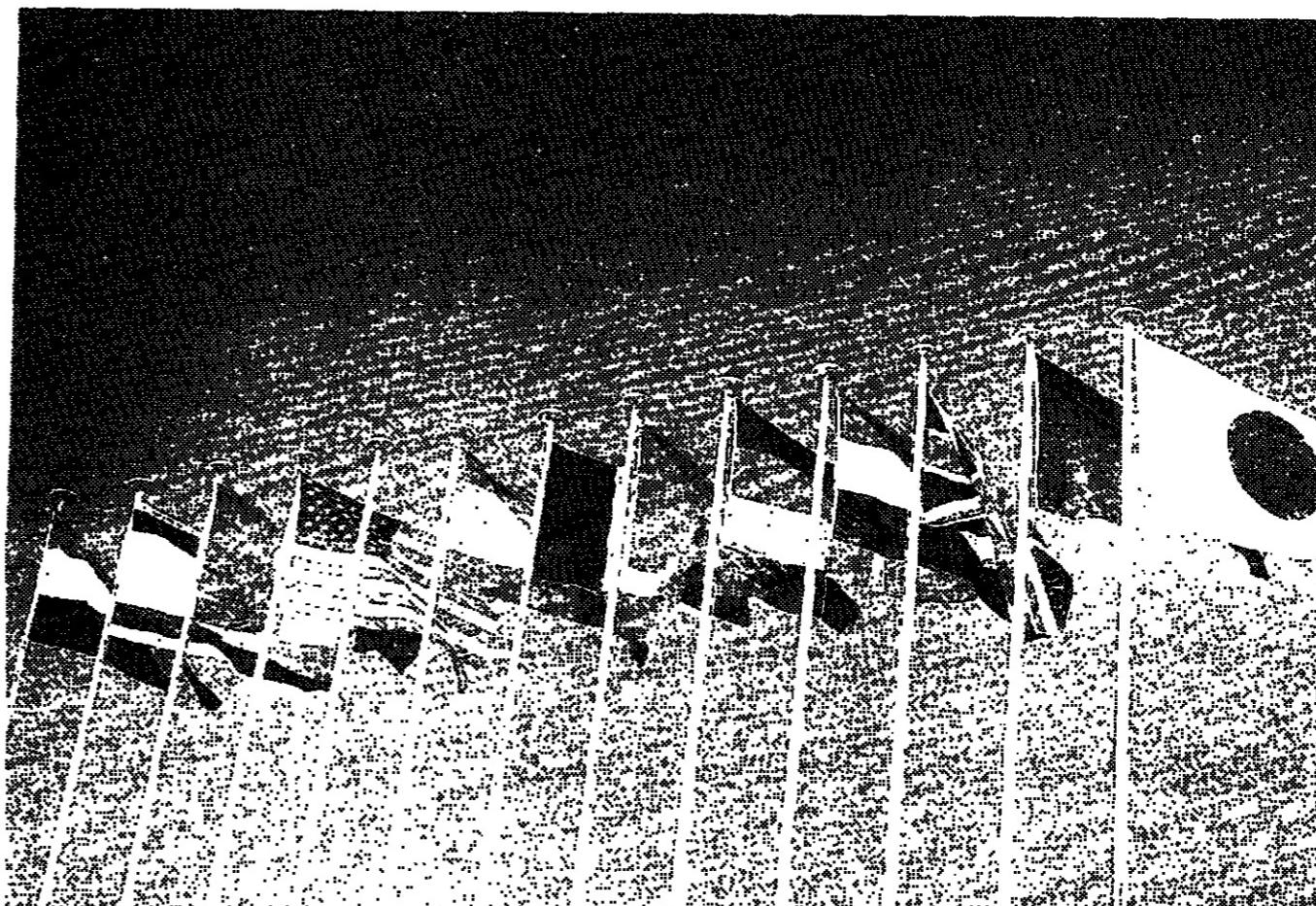
TEHRAN — Iran rejected a U.S. report calling it the world's leading state sponsor of terrorism, describing the document Friday as "another brick in the wall of mistrust" between the two countries.

"Itself a major victim of terrorism, Iran is fully aware of the dangers of this phenomenon and has worked with other countries at international bodies to rid the world of this

threat," state-run Tehran radio said.

The State Department said Thursday that Iran remained "the most active state sponsor of terrorism" despite the election last year of a more moderate president. Its annual report on international terrorism said that President Mohammad Khatami and his deputies had publicly condemned some forms of terrorism but that their words had yet to be matched with deeds.

(Reuters, NYT)



BOOKS

THRONES, DOMINIONS

By Dorothy Sayers and Jill Paton Walsh. 312 pages. \$23.95. St. Martin's.

Reviewed by Sarah Booth Conroy

I SHOULD scrub floors very badly, and I write detective stories rather well. I don't see why proper feeling should prevent me from doing my job," So says Harriet Vane, Dorothy Leigh Sayers's character in "Gaudy Night," defending her decision not to be a homemaker.

This defense of women's right to write echoes down through the years. Women of my generation and inclinations welcomed Sayers's strong challenge to traditions holding that the sexes were separate and not equal, that mystery writers were not novelists and that romance and repartee have no place in detective tales. Yet Sayers left devotees yearning to know if the five-novel courting of Vane by Lord Peter Wimsey actually endured as a marriage of equals after their disastrous "Busman's Honeymoon."

Since Sayers's death in 1957, rumors whispered of the existence of "Thrones, Dominions" (the title comes from Milton), an unfinished, unpublished manuscript. According to Alzina Stone Dale, editor of "Dorothy L. Sayers: The Centenary Celebration," Sayers left 170 pages of the text and additional notes.

At last, brave Jill Paton Walsh, the British author of children's books and two mystery novels (one a Booker Prize finalist), has completed the manuscript. Which means that 75 years after the publication of "Whose Body," the first Wimsey novel, we finally get the answer to the question of how these most famous lovers in the classic period of English detective novels balanced the scales of their lives — along with the solutions to two murders.

"Thrones, Dominions" contrasts two newlywed couples — a theatrical hacker and his trophy wife, chosen for her sensuality rather than her sense, and the Wimseys, whose passions are for each other's erudition as well as for

each other. The beauty is, of course, murdered.

Sayers's Wimsey novels and her learned dissertations on mystery stories (none better) inspired not only Walsh (who went to Oxford after reading "Gaudy Night," which was based on Sayers's own college days and alumnae reunion) but many another successful author in her writing of crime novels.

Walsh pays proper regard to Sayers' notes and much-cherished, unforgettable characters: Bunter, Wimsey's invaluable valet, photographer and detective colleague; Wimsey's mother and Harriet's fervent supporter, the magnificent Dowager Duchess of Denver; and his scandalous Uncle Paul Delagardie.

The Wimsey wit and the woes of the 1930s get their dues. In "Strong Poison," Wimsey began his courtship of Vane as he tried to save her from the gallows. She turned Wimsey down, though admitting, "If anybody ever marries you, it will be for the pleasure of hearing you talk piffle." A good and sensible reason.

After "Busman's Honeymoon," Sayers wrote two Wimsey short stories but put "Thrones, Dominions" away in a box and began writing religious plays and essays, children's books and scholarly works. Yet, she admitted, the Wimseys still piffled in her mind — and they did in the minds of other readers. Thanks to Jill Paton Walsh, piffle is once again heard in the land.

Sarah Booth Conroy, who is finishing her second novel, "The Loves of Martha and George Washington," wrote this for The Washington Post.

NEW AUTHORS

PUBLISH YOUR WORK
ALL SUBJECTS CONSIDERED
Authors world-wide invited
Write or send your manuscript to
MINERVA PRESS
2 OLD BROMPTON RD LONDON SW7 3DO

Issued by Goldman Sachs International, regulated by the Securities and Futures Authority.

Is it the United Nations? Or the market for Euro corporate debt?

The Euro. From its inception in January, it will stand alongside the Dollar, with global influence. At a stroke it will create enormous new financing opportunities for European companies. We believe

the European corporate bond market could increase five-fold in just a few years. Which means more European opportunities for investors around the world, too.

A GLOBAL CURRENCY. YOUR GLOBAL FIRM FOR EURO DEBT.

Goldman
Sachs

EDITORIALS/OPINION

Herald Tribune
INTERNATIONAL

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Clinton Shrugs

In his first solo news conference since December, President Bill Clinton gave his usual fluid performance Thursday, but it was obvious that he has paid a high price for his silence on the allegations about the former White House intern Monica Lewinsky.

Most of President Clinton's feelings came across through innuendo and body language. His repeated ducking of questions seemed defensive, argumentative and yet uncharacteristically passive.

Asked whether his behavior should even matter to Americans, the president all but shrugged and said he was "in some ways the last person who needs to be having a national conversation about this."

For a man addicted to conversation, it was a revealing answer.

The president's lawyers have no doubt advised him to maintain his silence, just as lawyers might do for any target of a criminal investigation. But a narrow legal strategy will not help Mr. Clinton restore Americans' faith in his character, even if they approve of the way he has handled the economy.

As we have said repeatedly, he needs to find some way to reassure Americans troubled by the nature of his relationship to the young White House intern and by the lengths that so many of his aides went to in order to find her a job. Instead of taking that route, Mr. Clinton made clear that the

way he has handled the economy.

We have little patience for Mr. Starr's assertion that there is "no end in sight" to his inquiry. But by dodging questions and encouraging disrespect for a duly appointed independent counsel, President Clinton is doing his own bit to prolong the investigation and to drive down the polls rating his character.

—THE NEW YORK TIMES

Russian Arms Sales

No longer sustained by captive markets and client states, Russian arms designers and manufacturers are selling their wares to anyone willing to pay. Recent days have brought word that Russian enterprises are helping Iran, India and the Greek Cypriot government develop or buy new missiles. In each case, the missiles could alter the balance of military power in a highly volatile region where armed conflict between neighbors has occurred in the past and could again.

The Russian government, while assuring Washington of its concern, has not done enough to curb these deals. Customs agents in Azerbaijan recently intercepted a shipment of Russian stainless steel to Iran that could be used to make missiles.

Moscow's assistance to India to develop a sea-launched missile has gone on for at least three years. American intelligence agencies say, despite Russian denials, the Russian role may violate the Missile Technology Control Regime, an accord limiting the spread of missiles.

Russian officials openly acknowledge the planned sale of sophisticated anti-aircraft missiles to Greek Cypriots.

The motive for these transactions is primarily financial. The Russian arms industry, long supported by lavish state subsidies and sales to Soviet-bloc nations, has foundered since the Soviet Union collapsed.

Weapons designers and builders

—THE NEW YORK TIMES

Abortion Politics

Congress and President Bill Clinton seem about to do something reckless. This is the evident result of their allowing the poisonous abortion issue to tangle up efforts to pay American back dues to the United Nations, and by extension to replenish the International Monetary Fund.

These institutions are primary instruments of American global influence. To reduce the American position in them is serious enough. To do it for the sake of posturing on the abortion issue is shameful.

The House had voted to pay the back dues but, in a cynical amendment, to ban American aid to international family-planning groups that lobby foreign governments to promote abortion rights. The Senate followed suit this past week in a mostly party-line vote of 51 to 49. At once Mr. Clinton threatened a veto. An override seems out of the question.

Most of the blame — for injecting abortion into the foreign aid debate in the first place — falls on the Republican-led Congress, which by its hostage strategy is inflicting heavy damage on American foreign policy. But Mr. Clinton has been maneuvered into a spot where he is no less ready than the Republicans to put his abor-

—THE WASHINGTON POST

Herald Tribune

ESTABLISHED 1872

KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER
Co-Chairman of the Board

KATHARINE P. DARROW, Vice Chairman

PETER G. GOLDMARK Jr., Chairman and Chief Executive Officer

RICHARD WOOLDRIDGE, President and Chief Operating Officer

MICHAEL GETLER, Executive Editor

• WALTER WELLS, Managing Editor • PAUL HORVITZ, Deputy Managing Editor

• KATHERINE KNORR and CHARLES MITCHELLOW, Deputy Editors • SAMUEL ABT and

CARL GEWIRTZ, Associate Editors • ROBERT J. DONAHUE, Editor of the Editorial Pages

• JONATHAN GAGE, Business and Finance Editor

• RENE BONDY, Senior Vice President and Chief Financial Officer

• DIDIER BRUN, Circulation and Development Director

Direction de la Publication: Richard McCloskey

International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92521 Neuilly-sur-Seine, France. Tel: (33) 1 439 00. Fax: Subscriptions: (33) 1 439 02 12. News: (33) 1 439 38. Internet address: <http://www.iht.com>. E-Mail: iht@iht.com.

Editorial Office: Michael Getler, Executive Editor; Managing Editor: Paul Horvitz; Deputy Managing Editor: Walter Wells; Associate Editors: Robert J. Donahue, Jonathan Gage; Business and Finance Editor: Didier Brun. Circulation and Development Director: Direction de la Publication: Richard McCloskey.

The Euro: A Huge, Dangerous Gamble for Europe

By Josef Joffe

MUNICH — This weekend in Brussels, Europe will ratify its greatest gamble ever: a common money without a common government.

Come next Jan. 1, the currencies of 11 European Union member states will be irrevocably chained to each other; come Jan. 1, 2002, marks, guilders and francs will be history. There will be only euros and cents.

The gamble consists of three parts. One, most Europeans do not like the euro: for years, opinion polls have delivered solid majorities against this "Esperanto money" — or for its postponement. If there were a referendum, the euro would not make it.

Two, history confirms the doubt. Who remembers the Latin monetary union? Or the Scandinavian one? Or the East African shilling shared by Kenya, Tanzania and Uganda? They did not last long because their members did what nations always do: They went their own way in matters monetary and fiscal, breaking the bonds that held their currencies together.

Three, the task is gargantuan. For European monetary union to work, Europe will soon have to become like the United States in at least one of two

ways. Either the EU becomes *pluribus unum* — a common state with a common identity and sense of obligation — or it turns "Esperante," that is, into a common market that sheds its rigidities, regulations and redistributive habits. Or, even better, it does both.

The 11 euro club members will have to give up their sovereignty where it matters most. They cannot cheapen money to stimulate investment, they cannot go into deficit spending to spur consumption, they cannot devalue to increase exports. They will have to stay in a straitjacket.

But economics is about relentless change. How will governments deal with "asymmetric shocks" that affect the 11 countries in different ways? With monetary policy "outsourced" and fiscal policy heavily constrained, there are only three ways left, each requires responses that Europe is badly equipped to execute.

Take a simple example: mounting unemployment in northern France. If Europe were like the United States,

wages would drop, attracting investments and new jobs. But wages in Europe do not fall, least of all in France; they are only upwardly flexible. Nor do wages differ much between regions, which are in the grip of nationwide bargaining agreements.

Second, if jobs do not come to the workers, workers go to the jobs — as Americans do. But Europeans do not move, not inside their own countries and certainly not from France to Denmark. Traditionally, lavish subsidies for declining industries have allowed people to stay in place.

The third solution is transfer payments on a Europeanwide scale — analogous to what happens in the United States. When the Midwest is in trouble, stabilizers kick in automatically. Washington takes in less in taxes and injects more money from various support funds.

But that demands more than just monetary union. It requires political union — a central government, a sense of national identity and obligation that Belgians, say, do not feel for Portuguese.

Moreover, the EU's taxing powers are limited to 1.7 percent of gross domes-

tic product, a pittance compared with what governments can do in the way of redistribution.

So the euro is more than a gamble.

Living within the straitjacket of economic sovereignty foregone, Europe must part with its cherished statist and corporatist traditions: it must unleash the market and allow wage flexibility and geographic mobility to carry the brunt of adjustment.

Or Europe must understand that it cannot put the cart before the horse — that it cannot have a common currency without a common government, a United States of Europe. Again, the United States offers an instructive example. First, it had a constitution; then, in 1913 and with the Civil War in between, it established true monetary union. That process took 126 years.

Yet Europe thinks it can do that by 2002. It is a huge gamble.

If it fails it may contaminate much of what Europe has achieved in the last 50 years.

The writer, editorial page editor of the *Süddeutsche Zeitung*, contributed this comment to *The New York Times*.

Africa Needs Outside Help, and Also Needs to Help Itself

By Kofi Annan

The writer is secretary-general of the United Nations.

NEW YORK — For too long, conflict in Africa has been seen as inevitable or intractable, or both. It is neither.

Conflict in Africa, as everywhere, is caused by human action and can be ended by human action. This is the reality that shames us for every conflict we allow to persist, and that enables us to turn our rhetoric of commitment into a reality of genuine engagement.

Since 1970, Africa has had more than 50 wars fought on its territory, the vast majority of which have been intractable in origin. Fourteen of Africa's 53 countries were afflicted by armed conflicts in 1996 alone. These accounted for more than half of all war-related deaths worldwide and resulted in more than 8 million refugees, returnees and displaced persons.

No one — not the United Nations, nor the international community, nor Africa's leaders — can escape responsibility for the persistence of these conflicts. Indeed, colossal human tragedies have taken place in

the sources and the solutions to its current conflicts.

In far too many cases, post-independence rule has been characterized by an acute form of winner-takes-all politics, where victory at the ballot box has translated into total control over a nation's wealth and resources. With the absence of proper checks and balances, inadequate accountability and lack of respect for human rights and the rule of law, political power has too often become a weapon for the few rather than the instrument of the many.

In these situations, the multi-ethnic character of most African states exacerbates already existing tensions and fears, making conflict virtually inevitable. Good governance — ensuring respect for human rights and the rule of law, strengthening democratization and promoting transparency and capability in public administration — is now

more than ever the condition for the success of both peace and development.

It is not a coincidence that Africa's renaissance has come at a time when new and more democratic forms of government have begun to emerge and take root.

In every aspect of Africa's emergence from conflict, new ways of thinking and acting are needed on all sides.

In the area of peace and security, I recommend that African governments reduce their purchase of arms and munitions to 1.5 percent of gross domestic product; that an international mechanism be established to ensure the neutrality and disarmament of refugee camps and that these camps be placed away from borders, and that the Security Council meet twice a year to renew its efforts for Africa.

In the area of economic development, I have suggested that creditors consider clearing the entire debt stock of the poorest African countries while expanding the Highly Indebted Poor Countries program of the

World Bank, and that new rules guiding the transparency of public administration be implemented while international trade barriers to African products are removed.

Equally important is the understanding that peace and development remain inextricably linked — one feeding on the other, enabling the other and securing the other. The renunciation of violence as a means of gaining and holding power is only the beginning. Then must follow a renewed commitment to national development founded on sober, sound and uncompromised economic policies.

The time is long past when one could claim ignorance about what was happening in Africa or about what was needed to achieve progress. The time is also past when the responsibility for producing change could be shifted onto other shoulders. It is ours and it is theirs — the world's and Africa's.

The United Nations stands ready to play its part. So must Africa.

The Washington Post

When Dealing With China, U.S. Must Not Snub Japan

By Tom Plate

TOKYO — As the clock ticks down on President Bill Clinton's June trip to China, a melancholy story is emerging that Japanese officials are ambivalent about even seeing in print.

Here's the problem: Of course, the Japanese, like everyone else in Asia, welcome better China-U.S. relations. But they do not welcome them at the expense of good Japan-U.S. relations, and they fear that the Clinton administration's decision to exclude even a courtesy stopover in Tokyo after its China sojourn will be misinterpreted, especially by the Japanese people, but also by the Chinese government.

Tokyo is resigned as well as bitter. It now accepts that it has no chance of getting from Mr. Clinton even the briefest of stopovers. So instead of asking, getting turned down and losing face, the Japanese would rather swallow hard and keep their peace.

What is needed is not so much a consensus on abortion — which is too remote to be practicable, especially at a time of divided government — as a consensus on abortion procedure. If the issue is to be fought out, it should be done on domestic terrain. Too many other important considerations are at stake to let the abortion issue remain the fixture it has become in foreign policy debate.

That will require some restraint in both the word and deed of international abortion policy by abortion-rights advocates and adversaries alike. It is not an easy prescription to write. It requires a measure of civility keenly lacking in the current proceedings.

—THE WASHINGTON POST

Germany's Have-Nots Speak Up

By E. J. Dionne Jr.

WASHINGTON — Yes, we get worried when a party of the far right does well in Germany. Yet, such worries ignore the depth of Germany's postwar democratic culture. So, no, the results of one election in one state in the former East Germany with an unemployment rate of more than 20 percent should not be taken as a sign of things to come.

Still, the 13 percent of the vote won by the racist, anti-immigrant German People's Union in Saxony-Anhalt last Sunday is a warning to the German political establishment and a reminder in this self-satisfied time that those left out in an age of prosperity will not sit by quietly.

This state vote was important because Germany faces national elections in September, and state elections often provide clues to what to expect nationwide. The unsurprising aspect of the election was the disastrous showing by the Christian Democratic Union of Chancellor Helmut Kohl. The Christian Democrats dropped from 34 percent four years ago to 22 percent. Mr. Kohl, who is seeking a fifth term, is a little like Pittsburgh in the 1970s, "said Jackson James, executive director of the American Institute for Contemporary German Studies. "Almost a quarter of the people are out of work. A lot of kids are frustrated with the situation, not knowing when they are going to get their share of the pie."

"That doesn't mean you're

going to have an outbreak of the late 1920s," Mr. James added, addressing the Big Worry. "But a lot of people were voicing their frustrations."

For the two big parties, the Social Democrats and the Christian Democrats, the result is one more indication of a widespread sentiment captured by *Pöhlverschrecken*, which translates the result as "a condition of depression or frustration with politics."

Make no mistake: The German People's Union is a scary lot, but the far right is not about to take over Germany. The Christian Democrats and Social Democrats will dominate the fall elections. One outcome, more likely now than before Sunday's election, will be a "grand coalition" between the two big parties that would govern from the center.

Still, there is a warning in this result, and also in the steady 15 percent of the vote that the extremist National Front has been winning in France. The new world economy is creating a lot of winners and a lot of wealth. But it is also leaving out many people and many regions, even in the prosperous countries.

Those who are losing ground will find ways to register their anger. Surely it is better to deal with the causes of that anger now than to wait until it becomes a larger threat to ethnic minorities and, just possibly, to democratic institutions.

Washington Post Writers Group

to interpret the presidential fly-over as a snub.

The Japanese government's perspective is more geopolitical: If the president fails to call on Japan on the way back from China, will Beijing's transparent policy of seeking to drive a wedge between Washington and Tokyo seem to be vindicated? The Japanese realize that an American president cannot call on everybody, but many may come to suspect that this oversight is no oversight.

Tokyo has dramatically tried to meet Washington at least halfway on the economic front. A politically embattled Prime Minister Ryutaro Hashimoto late last month unveiled the biggest economic stimulus package in Japan's history. This \$128 billion program, it is hoped, will stimulate the country's economy and help reinvigorate Southeast Asia's.

It also is designed to quiet what is known in Japan as Washington's "megaphone diplomacy," the name for the well-known grumblings of, especially, Mr. Rubin.

Unless Mr. Hashimoto falls after forthcoming elections and is failed to be no more than Japan's eighth former prime minister in eight years (as some in Japan are predicting), Tokyo has now shown its economic cards: this government is unlikely to cave in to more U.S. pressure. Nor will it now risk losing face by officially com-

plaining about Mr. Clinton's travel plans.

But when Mr. Hashimoto meets Mr. Clinton at the summit of industrialized nations in England in May, the American president should bring it up himself and bigheartedly propose a Tokyo stop. It would be a brilliant way to patch up Japan-U.S. relations and one that in the end China would have to accept.

for Europe

R

INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, MAY 2-3, 1998

PAGE 7

INTERNATIONAL

*Yeltsin Ignored Communists and Tycoons in Assembling New Youthful Team

By Michael R. Gordon
New York Times Service

MOSCOW — It was a month in the making, but President Boris Yeltsin has assembled a new team that is strikingly young, that is pro-reform and that is from outside of Moscow.

The Russian political establishment was stunned when Mr. Yeltsin selected the 35-year-old Sergei Kiriyenko as his new prime minister.

After a drawn-out effort to win confirmation for Mr. Kiriyenko, Mr. Yeltsin went further by filling the top ranks of his government with a squad of young politicians cut from the same cloth.

A key appointment came Thursday when Mr. Yeltsin tapped Oleg Svyatov as the third of three deputies to Mr. Kiriyenko. Like the new prime minister, Mr. Svyatov, 42, also launched his career outside of the capital. He is a former mayor of the Volga River city of Samara, one of Russia's most reform-minded regions. A newcomer to Moscow, he has served in the Yeltsin gov-

ernment for little more than a year. That appointment was a major setback for Russia's business tycoons and the Communists, who had hoped to install one of their own at the pinnacle of the new government.

"It is an enormous change," said Anders Aslund, a former adviser to the Yeltsin government and a senior associate at the Carnegie Endowment for International Peace. "These are people from outside the establishment. They are all young. They are not tied up with the Moscow oligarchy."

Mr. Yeltsin's decision to leapfrog over an older generation of power brokers in favor of a new generation of politicians from Russia's provinces serves several political ends. It prevents a rival from using a high government post to drum up support for a presidential bid in the year 2000, as Mr. Yeltsin feared his former Prime Minister Viktor Chernomyrdin was doing before he fired him.

It is also intended to refresh Russia's gov-

ernment with a new sense of purpose. The team also appears to be independent of powerful interests — with the important exception of Mr. Yeltsin.

But Mr. Yeltsin's young chargers are also relatively untested in Moscow's brutal political wars. And while Mr. Yeltsin has demonstrated his mastery of political maneuvering and intrigue, he and his new aides now have to show they have the patience, fortitude and skills to govern as a team.

In political terms, that means building the government's credibility with the public by ensuring that wages are paid on time and preventing insider deals in the auction of state businesses. It also means pushing through long-stalled legislation, like tax and land reform, cutting the budget and persuading Russians to pay their taxes, a task that eluded the most determined officials.

Mr. Yeltsin's latest appointments are part of a broader effort to revamp and slim down the government. Under the new power structure, Mr.

Kiriyenko will have only three deputy prime ministers. They include Boris Nemtsov, 38, the former governor of the Nizhny Novgorod region, who will oversee oil and gas issues and Russia's energy and transportation monopolies.

The other members of the troika are Mr. Svyatov, who has been serving as labor minister, and Viktor Khristenko, 40, a former deputy finance minister and former deputy head of the regional government in Chelyabinsk, a city in the Ural mountains.

Mr. Yeltsin took another important step Thursday when he picked Anatoli Chubais, 42, Russia's best-known free-market proponent, to serve as the chief executive of the electricity monopoly, United Energy Systems.

Mr. Yeltsin rebuffed the tycoons, including Boris Berezovsky, who insisted that the president give them a free hand to run the economy by demoting Mr. Nemtsov and turning his back on Mr. Chubais. The main prize the tycoons received was the appointment of Mr. Berezovsky

as executive secretary of the Commonwealth of Independent States, a loose and ineffectual organization of former Soviet Republics.

The tycoons were also thrown a bone when Sergei Generalov, 34, an executive from the Menatep bank and a former oil executive, was named as minister of fuel and energy. That bank is linked to the new Yuksil oil company, which is controlled by Mikhail Khodorkovsky and Mr. Berezovsky.

■ Moscow May Day

Thousands of trade unionists and Communists marched through a sunny Moscow on Friday to mark Labor Day with protests and warnings for the new Russian government, Reuters reported from Moscow.

"This is a temporary team that sooner or later will depart, just as the slushy spring snow disappears from the fields of Russia," the Communist Party leader, Gennadi Zyuganov, said as he led a march of some 30,000 followers and sympathizers.

GERMANY: Pondering Violence

Continued from Page 1

"They believe that if foreigners leave, there will be more jobs, if asylum-seekers leave, there will be more welfare money," Mr. Heidelberg said.

The German People's Union, he said, "stokes" animosities against foreigners with its campaign slogans like "Criminal Foreigners Leave" and "German money for German jobs."

Youths between the ages of 14 and 20 account for 70 percent of the East German attacks, police records show. The Berlin-based Center for German Culture, headed by Bernd Wagner, a sociologist, found that one in three East German youths expressed some form of rightist leanings.

After 57 years of Nazi and Communist dictatorships that imposed absolutist answers to social ills, many youths have struggled with the process of democracy and found a misguided form of fellowship in the far right, experts say.

"The aggressors believe they are carrying out the will of a part of the population," Mr. Frisch told the newspaper, *Die Zeit*.

The violent trend shows that Germany's unemployment crisis has taken on a worrisome new social dimension in the East, Mr. Loesche said. At 20.6 percent, the official jobless rate in Germany's "new Eastern states" is double the West's 10 percent.

Although Germany's liberal asylum policies have made it one of the most ethnically diverse states in Europe, with a foreign population of more than 10 percent in Western Germany, the foreigners in Eastern Germany account for less than 2 percent.

The rise in the attacks coincides with a search for solutions. The Eastern state of Brandenburg, which last year suffered the highest per-capita rate of rightist violence of all German states, mobilized a 45-member rapid-deployment police unit against extremists.

In Magdeburg's Neu-Olvenstedt city district, where the Palestinian was attacked in March and where many of the city's skinheads assemble, city leaders have channeled over 500 million Deutsche marks (\$280 million) into the neighborhood since unification in 1990.

But neither parental activism nor police crackdowns will attack the root problems, Mr. Wagner said. What is needed, he said, is a massive budget to hire and train armies of social workers to work in the inner cities and instill a sense of tolerance and democracy.

New polls document the extent of the anti-immigrant bias.

Nearly half of all Easterners, 48 percent, believe that foreigners take away their jobs, according to a recent poll by Germany's Emnid election research group. That compares to 28 percent in the West.

"It is an economic dissatisfaction," said Dieter Walz, who carried out the poll for Emnid. "If the economy could improve, this phenomenon would diminish."

■ Leftists Protest in Leipzig

The police used water cannons and riot sticks to disperse thousands of leftist protesters on Friday who were trying to disrupt a far-right May Day rally in Leipzig, Reuters reported.

Police moved in after leftists hurled rocks and bottles at police lines, witnesses said. Police also used riot sticks to beat back rightists, who threw bottles and stones and tried to attack leftists and journalists.



A Jakarta stock trader checking the figures as the benchmark index fell 2.5 percent Friday over political tension.

INDONESIA: Suharto Rules Out Political Reform Before 2003

Continued from Page 1

port of the military and the populace. The demonstrators that began two months ago, before Mr. Suharto's appointment to a seventh five-year term by a rubber-stamped national assembly, have largely been a phenomenon of students only. The protesters say that is because security forces have prevented them from leaving their campuses.

Mr. Suharto has refrained from directly addressing the students' demonstrations but has implied that there will be a limit to his tolerance.

"Any attempts to disrupt the interests of national development and stability

should be countered," Mr. Hartono quoted the president as saying. The home affairs minister said that if the demonstrators "don't understand the effects of their actions, we will face them."

The West has stepped up pressure on Jakarta to respect human rights following reports that about 15 political activists were seized by shadowy groups suspected of being linked to security forces.

■ U.S. to Back \$1 Billion Payment

The United States is preparing to back a \$1 billion payment in international emergency aid to Indonesia, despite evidence that Mr. Suharto's family and friends are continuing to undermine ef-

orts to break up the multibillion-dollar monopolies they control, The New York Times reported from Washington.

Treasury officials acknowledged Thursday that Indonesia had failed to meet some of the most important conditions that were imposed by the International Monetary Fund in return for the \$43 billion bailout package. Nonetheless, they said, Washington expects to vote in favor of a gradual resumption of aid when the Fund's board meets next week.

Officials said they wanted to encourage Indonesia for making a number of painful changes in the last two weeks, particularly raising interest rates and halting lending by the central bank.

CLINTON: Testy President Scorns Starr and Inquiry, Discerning a Long-Term Effort by Foes to Undermine Him

Continued from Page 1

Barely an hour after Mr. Clinton finished speaking, Mr. Starr's office announced the indictment on federal tax evasion charges of Webster Hubbell, the president's close friend and a former law partner of his wife, Hillary, in Little Rock, Arkansas.

The indictment of Mr. Hubbell, who has already served time in prison on unrelated charges, was widely expected and may have contributed to Mr. Clinton's at-times edgy demeanor at the news conference.

The 10-count indictment on charges of conspiracy, tax evasion and mail fraud outlined a scheme in which Mr. Hubbell and his wife, Suzanne, earned more than \$1 million and spent more than \$750,000 but took steps to conceal their income from tax collectors.

In the press conference, Mr. Clinton also scoffed at the House speaker, Newt Gingrich, who has been denouncing him regularly and did so again Wednesday night, when he called the president an "illegal man" surrounded by "spinners."

Mr. Clinton dismissed the speaker's attacks as "a few days of high-level static in the House of Representatives." He also said, "I can be responsible for a lot of things. But I'm not responsible for the speaker's behavior."

The president, appearing at a news conference without a foreign leader at his side for the first time since December, took more than 30 questions in 54 minutes from reporters in the White House. East

Room. Half of the questions concerned the Lewinsky investigation or related matters.

Several reporters asked whether Mr. Clinton, by refusing to answer questions fully about an alleged sexual relationship with Ms. Lewinsky, had surrendered the moral authority he needs to govern:

It was those questions that prompted the president's comments on reputation and character, a response that aides said was rehearsed and from Mr. Clinton's own musings on personal morality and public responsibility.

He said he had already denied engaging in a sexual relationship with Ms. Lewinsky or orchestrating an illegal effort to cover it up.

"Since I have answered the underlying questions, I really believe it's important for me not to say anything more about this," Mr. Clinton said in deflecting one of many questions on the Lewinsky matter.

"I think that I'm in some ways the last person who needs to be having a national conversation about this."

The president said he felt "terrible" about the toll that Mr. Starr's investigation, as well as inquiries by several other independent counsels, has taken on his friends and employees. Dozens of White House aides and Arkansas associates have appeared before federal grand juries in Washington and Little Rock to testify about the Whitewater real estate and banking deal, as well as the Lewinsky charges.

Mr. Clinton repeated a promise to try to help these witnesses pay their legal fees, but then turned again bitterly on Mr. Starr.

"I feel terrible about it, and if I can think of something to do about it, I will," Mr. Clinton said.

He added, however, that he did not feel personally responsible for these friends' plights, placing the blame squarely on the independent counsel. "If there's one person in the world I'm not responsible for, it's Starr. I think all of you would admit that."

Asked what his plans were for issuing pardons, Mr. Clinton said that none of his aides who have been targeted in the various investigations had sought a pardon. "No one's asked me for one and there's been no discussion about it," he said curtly.

Mr. Starr has complained that his inquiry has been slowed by foot-dragging by Mr. Clinton and his legal team.

The Secret Service has resisted allowing several officers to testify about things they may have heard or seen in the White House, saying such testimony would violate an untested "protective" privilege shielding the president's bodyguards.

And Mrs. Clinton declined to answer two questions about conversations with her husband at a deposition last week, citing the common-law doctrine of spousal privilege.

Mr. Clinton refused to discuss his claim of executive privilege, citing a federal judge's order that all grand jury matters be kept secret. He said the Secret Service was trying to protect the president's privacy by declining to provide testimony.

And he said of prosecutors, "shame on them" for implying that Mrs. Clinton had ducked questions in her deposition. The Clinton's lawyer, David Kendall, said this week that she had properly invoked spousal privilege in refusing to divulge the content of conversations with her husband.

■ Lewinsky Said to Lose Immunity Fight

Ms. Lewinsky has lost her court fight to enforce an immunity deal with Mr. Starr, individual familiar with the case said Thursday, setting the stage for prosecutors either to obtain the former White House intern's testimony about an alleged sexual relationship with President Clinton or indict her. The Washington Post reported.

The chief U.S. district judge in Washington, Norma Holloway Johnson, issued a written order more than a week ago rejecting Ms. Lewinsky's assertion that she had a legally binding agreement with Mr. Starr to shield her from prosecution in exchange for testimony, according to the individuals. Judge Johnson sent the order privately to lawyers in the case but has yet to enter a formal ruling, they said.

Although Ms. Lewinsky's lawyers promised to appeal it, Judge Johnson's decision could give new momentum to Mr. Starr's investigation of whether President Clinton lied under oath in the Paula Jones sexual harassment lawsuit about a sexual relationship with Ms. Lewinsky and urged others to do the same. The investigation has been slowed in recent weeks by a variety of legal disputes.

BRIEFLY

North Korean Accord at 'Risk'

SEOUL — A four-year-old agreement to prevent North Korea's acquisition of nuclear arms is at "grave risk" because the United States and its allies cannot agree on how to pay for the energy they promised North Korea in return, according to officials traveling with Secretary of State Madeleine Albright.

Mrs. Albright devoted a large part of her time with Foreign Minister Park Chung Soo to the funding crisis.

"There was no solution reached," a senior State Department official said.

The secretary of state sought to build a sense of urgency on the subject Friday to prod allies to step up their contributions. But she also made clear, by way of reassuring North Korea, that the United States would find a way to honor its bargain.

"There should be no doubt we will fulfill an agreement as important as this one," she said. (AP)

U.S. Urges Khmer Rouge Trials

UNITED NATIONS, New York — The United States urged the Security Council on Thursday to establish a war crimes tribunal to try leaders of the Khmer Rouge for the murders of more than a million people when Cambodia was under Khmer Rouge control in the 1970s.

U.S. officials said they acted at this time because the Khmer Rouge guerrilla forces are believed to be on the verge of collapse, and their leaders are expected to flee into Thailand or other neighboring countries. Their chief leader, Pol Pot, died two weeks ago.

A draft resolution introduced by the United States to the 15-nation council calls for the proposed tribunal to operate in The Hague, where the United Nations already has a special tribunal to try persons accused of war crimes in the former Yugoslavia. Under the U.S. proposal, the new court would have its own judges but would share the facilities of the current court. (WP)

Car Kills 13 Mexican Soldiers

SAN CRISTOBAL DE LAS CASAS, Mexico — A speed car driven by an air force officer went out of control Thursday and slammed into Mexican troops jogging down the road, killing 13 soldiers and injuring six.

Prosecutors said 28 soldiers were carrying out routine exercises when an air force lieutenant crashed his car into them outside the Copolar air base in Chiapas, about 50 kilometers (30 miles) from the Guatemalan border.

"The driver has been detained and will be turned over to the appropriate authorities," the Defense Secretariat said in a news release. It was unclear whether charges would be brought in military or civilian courts. (AP)

RWANDA: Ex-Leader Admits to Genocide

Continued from Page 1

both in Rwanda and at the tribunal because their whole philosophy, their whole ideology — is no longer valid," said Rakia Omara, director of African Rights, a London-based human rights organization.

"The fact that he has settled accounts with his own conscience, in spite of the propaganda machine both inside and outside Rwanda," Mr. Omara said, "is very encouraging to the prospects of justice."

Tribunal officials suggested that Mr. Kambanda's guilty plea was not connected to the 22 public executions carried out by the Rwandan government on April 24. Rwanda's trials of genocide suspects are conducted independently of the proceedings in Arusha.

Mr. Kambanda's guilty plea "is a big deal," Gerald Gahima, deputy justice minister of Rwanda, said in a telephone interview. "It's the first time that someone who was in a position of authority in 1994 has come forth to own up to his crimes."

The tribunals should be "commended for this," Mr. Gahima added, "but they still have a long way to go. We commit our support to them. An effective international tribunal is in our best interests."

Mr. Kambanda, arrested in July in Nairobi,

had made it clear from "day one" that he intended to plead guilty

ART

Weaving the Strands Of the Russian Icon

By Soren Melikian
International Herald Tribune

LONDON — If art ever mirrored the cultural avatars of a nation that would ultimately lead to a radical change of direction, this is it. "The Arts of Holy Russia: Icons From Moscow, 1400-1650," on view at the Royal Academy until June 14, effectively records in visual fashion the first metamorphosis undergone by Russia when strains of Western influence began to touch it.

It was a double paradox. Change should have been unwelcome. The art of the icon ("image," in Greek) was passed on to the first Russian state with Christianity itself by Byzantine Greeks when Vladimir, Grand Prince of Kiev, adopted the Orthodox creed in 988, and Byzantine images followed sets of rules rooted in theology and symbolism. Innovation for innovation's sake was inconceivable.

The second paradox is that a leading role should ever have been assumed by Moscow. When the city was founded in 1147, it was probably no more than a riverside settlement in a land largely populated by Finnish groups. These would later be subsumed by the Slav eastward progression, leaving only place names, "Moskaya" included. Had the Russia of Kiev not been annihilated by the Mongol invasion, which culminated in the destruction of Kiev itself in 1240, Muscovy might never have risen to the position of preeminent in the world shown would not have been conceived.

THE arrangement of the 12 apostles in two groups on either side of Mary effectively building up two rows of monumental figures irresistibly suggests some Florentine Primitive taking his cue from Ancient Roman carved bas-reliefs. In the middle, Mary stands as elongated and hieratic as some 11th-century ivory from Constantinople. Yet, her face betrays the new age. It conveys a very human mix of wonder and emotion. The circular blue mandorla in which Jesus is seated in his heavenly ascent, supported by two flitting angels is very Byzantine, but the handling of the angels' faces with their individualized features and expressions again points to an Italian strain.

Until the end of the 15th century, Russia seemed to be looking in both directions, Greece remaining by far the stronger influence. The anonymous artist who painted "Transfiguration of Christ" for the Church of the Savior in the Forest, in the Kremlin, modeled his composition

"Nativity," painted in 1425-1427 for the Monastery of Saint Sergius, and a variant on the theme by an unidentified artist that can be seen in the London show are handled as visionary landscapes. Mary lies on a blazing red couch that seems to be floating rather than resting across a rocky mound. The mountainous setting painted in gold, with shading in white, owes a great deal to late 14th-century Italian art, while the handling of the trees points to the more modernistic strains in Byzantine manuscript painting.

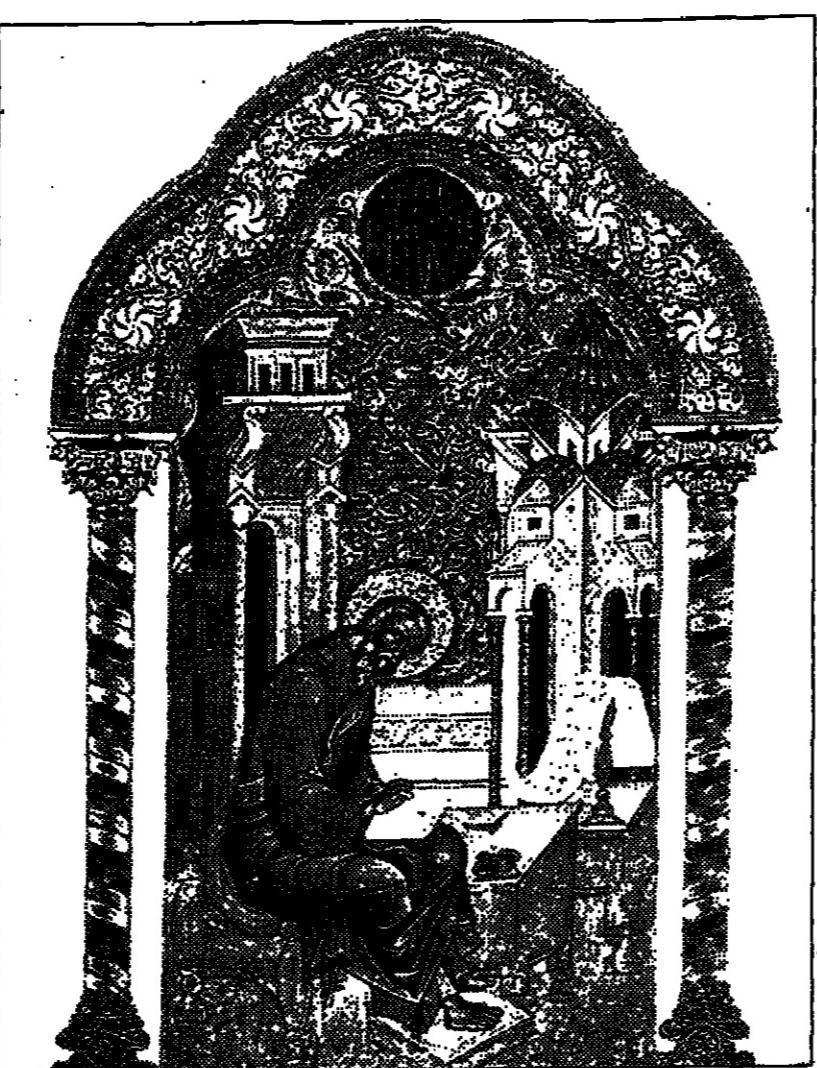
Indeed the idea of weaving several scenes into a single pattern — "The Magi," "The Annunciation to the Shepherds," "The Two Midwives Bathing the Infant Jesus" who is thus seen twice, first here and then swaddled on a couch near the reclining Mary — may reflect the specific impact of book illustration in which different moments of a narrative can be depicted in the same image. But Italy alone inspired the aesthetic balance of the composition.

Whether Italian influence came chiefly via Byzantine painters such as Theophanes the Greek in the late 14th century or through Italians in Moscow (later they took a leading role in the remodeling of the Kremlin as it now stands) cannot be determined. But it was clearly making itself felt as early as about 1400. Otherwise compositions such as "Ascension," thought to have been created around 1408 by Daniil Chorny and Rublev, or its anonymous variant in the London show would not have been conceived.

Its approach to the icon was conservative. Some early 15th-century images faithfully repeat models of 250 years earlier. A "Virgin and Child" that opens the show does not differ in its composition or stylized expression from those painted on church walls in Novgorod far to the north around 1140. Mary's head tilted three quarters forward with big sorrowful eyes staring at some invisible point, aghast at dire events to come is a timeless Orthodox archetype.

The author of another "Virgin and Child" painted in the early 16th century for the Chapel of Saints Peter and Paul in the Cathedral of the Dormition in the Kremlin felt no urge to alter the model. He added circular medallions enclosing the effigies of saints on broad framing bands, but these too send back echoes of a distant past.

Change, however, did set in. Most surprising, perhaps, it came about in the oeuvre of one of the most ascetic figures of Orthodoxy, the monk Andrei Rublev.



"Four Gospels of Isaac Birev," 1531, in the Royal Academy exhibition.

on a late 14th-century icon often attributed to Theophanes the Greek. An outsized Jesus stands on an unreal rocky hilltop, enveloped by a blue mandorla, as two apostles perch on rocky peaks bow to him. Overlaid by the divine light radiating from Jesus in very fine rays, three other apostles fall back. The color scheme, the stylized drapes, recall the frescoes of the Constantinople church now called Kariye Cami.

For some considerable time a blending of the two conflicting strains seemed to be on its way. At the beginning of the 15th century, Rublev painted a famous "Trinity" for the Trinity Cathedral in the Monastery of Saint Sergius. Three angels seated around a table on which a single chalice is set convey a curious impression of intimacy, as if engaged in some heavenly but convivial banquet. The symbolism is Byzantine as are the conventions, the feeling Italian. The rudiments of a landscape appear higher up — an italicate touch under the garb of Byzantine conventions.

A century later, an artist from the circle of Dionysius took it one shade further. In his version of the "Trinity" on view in London, he changed few details — the chalice has given way to a pyx. But one innovation is astonishing. A dreamy, slightly amused smile hovers on the lips of the angels, utterly alien to the spirit of Byzantium. It is as if the Russian icon painter had looked at the angels of Leonardo.

Equally surprising, the art of individualized portraiture insidiously crept into iconic figuration. The monumental standing figures of Mary, Saint John the Baptist, Saint Peter and Saint Paul that the monk Kornili Kornielski painted in 1501 for his monastery speak of a new world. Their faces have highly distinctive expressions.

The movement toward a merger of the two strands, the Byzantine core and the humanistic loans, stopped short. A clumsy icon of Saint Boris and Saint Gleb painted around 1500 even suggests some extreme reaction, looking back several centuries, to the rigid stylization of early Byzantium. The heads, absurdly small, border on caricature. Turning back the wheels led nowhere. Russian icon painting slowly withered away, reduced to uninspired stereotypes.

Art in the Galaxies Capturing Deep-Space Light

By Margaret Loke
New York Times Service

NEW YORK — Out in deep space, our universe of heavenly bodies is a riot of glorious colors and fantastical shapes. But you won't know that by looking at the night sky, which, even in the clearest weather when it is dotted by seemingly endless stars, is a minimalist study in black and white. That is because the eye is unable to perceive colors when the source of light is small and faint.

One man has done much to show that objects in deep space have astonishing colors.

David Malin, the photographic scientist at the Anglo-Australian Observatory in New South Wales, Australia, has been photographing celestial objects in the night sky for about 20 years through the observatory's telescope, one of the largest in the world.

For years Malin's photographs have been exhibited mostly at scientific institutions in shows like the current "Night Skies: The Art of Deep Space," through Aug. 31 at the National Academy of Sciences in Washington. But his photographs are now being shown as art. They appeared last year at the Victorian Art Center in Melbourne. On Saturday, "David Malin: View of the Universe" opens in New York at Howard Schickler Fine Art in SoHo.

In his achievements as an astronomical photographer, Malin stands alone. Not only is he known in scientific circles for his superb astronomical photography, but he has also invented new photographic processes to detect very faint distant objects, and in 1987 he discovered what Scientific American calls the largest galaxy known, Malin 1.

One of his inventions, photographic amplification, is a way of copying glass plates to increase the signal of the faint object against the natural glow of the night air. Malin used it in the early 1980s to discover a new kind of galaxy. Looking through existing glass plates taken by the observatory's companion Schmidt telescope, he isolated and amplified shells, or fossil remnants, around featureless elliptical galaxies.

Scientists had believed that elliptical galaxies were formed when galaxies collided and coalesced, and Malin's discovery of the hitherto barely detectable shells confirmed this idea.

The Anglo-Australian observatory is on the eastern edge of the Australian outback, where the night sky is exceptionally dark and pollution-free, and where there is a 65 percent chance of clear weather.

When Malin applied for the job to start the observatory's photographic laboratory in 1975, he was neither an astronomer nor a professional photographer but a 33-year-old chemist at the Ciba-Geigy chemical company in Manchester. But photography was something Malin had enjoyed since he was a teenager in England, experiencing with a simple box camera to take pictures of star trails.

A recent British documentary about Malin, "The Man Who Colors Stars," shows how he positions himself in the "prime focus cage." He steps into a round cubicle that is open at one end, with the camera in the base and the telescope's primary 38-foot mirror beneath it. The cubicle is tilted by computer to nearly horizontal for access.

Color film is not used for several reasons. With color film, contrast decreases as exposure time is increased to make faraway faint objects clearer. But color is important in astronomical photography because it contains information on the star's age, temperature, size and composition. It also says something about the physical state of the gas and dust from which stars are formed.

Hot stars, like the sun, appear white. The coolest stars are a deep orange-yellow. Stars 10 times as hot as the sun are sky-blue.

In the last two decades, Malin has made about 150 deep-space images, mostly for scientific purposes, but in recent years he has had bad luck making more pictures. Sessions in 1995 and 1996 were failures because of bad weather. In 1994, Eastman Kodak, which had been supplying the special glass plates used by Malin, stopped production of those plates, and he has had to use much slower plates requiring longer exposure times.

ARTS

Steve Dawson

Painting

April . May . June

Galerie Michel Delorme

9 rue Linné, 75005 Paris
Telephone : 01 47 07 85 11

auction sales

IN FRANCE

PARIS

DROUOT RICHELIEU
9, rue Drouot 75002 Paris - Tel: 33 (0)1 48 00 20 20

Tuesday, May 12, 1998

Room 9 at 2:15 p.m. ANTIQUARIAN and MODERN BOOKS - DOCUMENTATION. Etude TAJAN, 37, rue des Mathurins, 75008 Paris, tel: 33 (0) 1 53 30 30 30 - fax: 33 (0) 1 53 30 30 30. Web: <http://www.tajan.com> - Email: tajan@worldnet.fr

Wednesday, 13, Thursday, May 14, 1998

Rooms 1 & 7 at 11 a.m. & 2:15 p.m. Great WINES and SPIRITS. Etude TAJAN, 37, rue des Mathurins, 75008 Paris, tel: 33 (0) 1 53 30 30 30 - fax: 33 (0) 1 53 30 30 30. Web: <http://www.tajan.com> - Email: tajan@worldnet.fr

Friday, May 15, 1998

Room 7 at 2:15 p.m. 17th, 18th and 19th century FURNITURE and WORKS OF ART. Etude TAJAN, 37, rue des Mathurins, 75008 Paris, tel: 33 (0) 1 53 30 30 30 - fax: 33 (0) 1 53 30 30 31. Web: <http://www.tajan.com> - Email: tajan@worldnet.fr

For a Free copy of

The International Herald Tribune Art Guide

a compilation of galleries, museums, auctioneers...

Please write to:

Enza Luciferio

International Herald Tribune
181 avenue Charles de Gaulle, 92521 Neuilly Cedex, France

FRANCIS
BRIEST Fine Art Auctioneer

24, avenue Matignon - Paris 8 - Tel: 33 1 42 68 11 30

Fax: 33 1 42 68 12 67

MODERN ART

Monday 15th June, 1998 at 9 p.m.

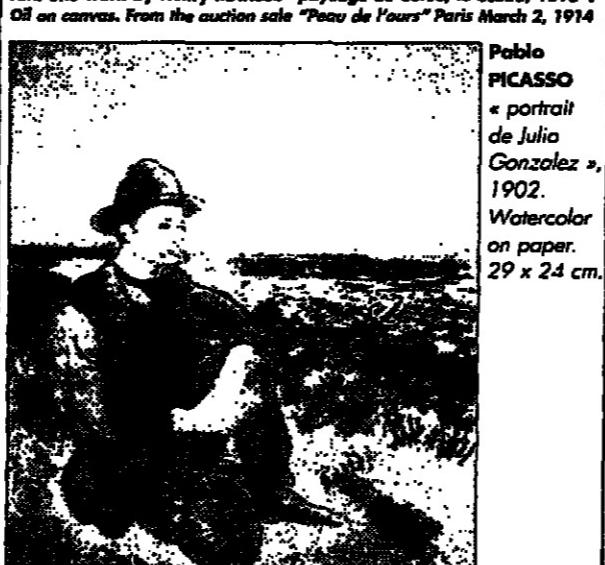
Paris - Drouot Montaigne - 15, avenue Montaigne - 75008 Paris

Henri BRONNE collection : BONNARD, MARINER, CHAGALL, ERNST, POLLAK, KISLING, MATISSE, MORISOT, RIVERA

From M. X. collection : ALECHINSKY, DUNOYER DE SEGONZAC, D'ESPAGNAT, GHOU, MASSON, MATISSE, MORISOT, PICASSO, VUILLARD

And others : BRAQUE, DALI, VAN DONGEN, DUBUFFET, DUFY, KLEE, LEGER, RENOIR, SCHWITTERS, SIGNAC, UTRILLO, VLAMINC

And one work by Henry MATISSE "paysage de Corse, le Souci, 1908". Oil on canvas. From the auction sale "Pays de l'Ours" Paris March 2, 1994



On view : NEW YORK - 15 East 82nd Street, New York 10028 Sunday 10th, Monday 11th, Tuesday 12th and Wednesday 13th May 10 a.m.-5 p.m.

Information : Violaine de LA BROUSSE-FERRAND - Tel: 33 1 42 68 11 30

DISCOVER HIDDEN
TREASURES...ANTIQUE MAPS
• ART • HISTORY • EXPLORATION

DISCOVER MAP WORLD,
25 BURLINGTON ARCADE,
PICCADILLY, LONDON. TEL. 0171 - 495 5377

CLAUDE MONET IN GIVERNY
THE HOUSE and GARDENS of CLAUDE MONET-THE LILI POND
Open from Tuesday to Sunday
from 10 am to 6 pm
Closed every Monday except April 13 and June 1
FF35 for complete visit - FF25 for gardens
FF20 for children 7-12. FF15 for adult groups
Take west highway dir. Rouen, exit boulevard Giverny (EURE)
Tel: 33 (0) 2 32 51 26 21

BERN'ART

in association with

G.M.G. Fine Arts, Ltd.

Unique Exhibition

Impressionist & Modern
Belgian Paintings



Floris Jespers (1889-1965), Seated Clown, "Clown Assis", Reverse painting on glass, Circa 1928, 43 - 1/3" x 35 - 1/2", (110 x 90 cm), signed lower bottom left

1016 Madison Avenue, 2nd fl., NY, May 7 - May 30, 1998
Mon.-Fri. 10:00 am - 7:00 pm, Sat. 11:00 - 5:00 pm or, by appt. (212) 362-7200

& Stand F4 at the International Fine Art Fair, May 8-13, 1998

GALERIE

HOPKINS • THOMAS • CUSTOT

Tableaux impressionnistes et modernes

2, rue de Miromesnil, 75008 Paris

Tel. 33 1 42 65 51 05 - Fax 33 1 42 66 90 28

soul Nods
at Church's
Way North
Grand Moon's Group
Talk Investment
in Port

Please
As Easy
By Alex
R
Hong Kong
by Philip
JUNG KANG
The government
and the public
are facing
a major challenge
in the coming
years. The
population
is growing
rapidly, and
the economy
is expanding
at a rate
that is
unsustainable.
The government
must take
steps to
address
these
issues
before
they
become
crises.
The
government
must
focus
on
developing
a
sustainable
economy
and
a
responsible
population
policy.
The
government
must
work
with
the
public
to
create
a
better
future
for
Hong Kong.
The
government
must
take
steps
to
address
these
issues
before
they
become
crises.
The
government
must
focus
on
developing
a
sustainable
economy
and
a
responsible
population
policy.
The
government
must
work
with
the
public
to
create
a
better
future
for
Hong Kong.
The
government
must
take
steps
to
address
these
issues
before
they
become
crises.
The
government
must
focus
on
developing
a
sustainable
economy
and
a
responsible
population
policy.
The
government
must
work
with
the
public
to
create
a
better
future
for
Hong Kong.
The
government
must
take
steps
to
address
these
issues
before
they
become
crises.
The
government
must
focus
on
developing
a
sustainable
economy
and
a
responsible
population
policy.
The
government

INTERNATIONAL BUSINESS/FINANCE

SATURDAY-SUNDAY, MAY 2-3, 1998

PAGE 9

Seoul Nods At Church's Foray North

Reverend Moon's Group Wants to Talk Investment

By Don Kirk
International Herald Tribune

SEOUL — The sprawling business empire known as the Unification Church is making a push to expand into North Korea with the apparent blessing of the South Korean government.

The Unification Church is using an invitation for its song-and-dance troupe "Little Angels" to perform in the North as an opportunity to talk about investment, church officials said Friday. The group is to arrive in Pyongyang on Saturday, led by Pak Bo Hi, right-hand man of the Unification Church's founder, the Reverend Sun Myung Moon, and a controversial figure here who risked imprisonment in Seoul by attending the funeral of North Korean leader Kim Il Sung in 1994.

The Unification Church, whose Tongil Group ranks about 35th in size among South Korean conglomerates, appears to have Seoul's permission to discuss possible investments with North Korea. Tongil, which means "unification" in Korean, owns factories and a chain of small stores in the South.

The day before the departure of the Little Angels troupe, the South Korean government Friday removed the \$5 million ceiling on investment in the North by South Korean companies and did away with the \$1 million limit on machinery sent north to build factories.

The new rules permit South Korean companies to engage in any type of business in the North except those classified as strategic defense industries, including electronics, aeronautics and computer science. The government also decided to grant multiple permissions to go to the North for South Koreans with business interests there.

"Our business dialogue with the North will resume," Mr. Pak said.

Mr. Pak cited fields ranging from machinery to soft drinks to tourism as possibilities for investment by Tongil. "On our behalf, I will talk about business possibilities," he said. He is leading the entourage that includes 38 performers, all girls aged 9 to 14, and 30 adults.

"We know the North is eager for South Korean investment," said Jean-Jacques Grauhar, who spent seven years as a business consultant in Pyongyang before moving to Seoul five years ago.

"Investment from the South is the hope for the North to survive economically."

Mr. Grauhar, executive director of the European Union Chamber of Commerce in Korea, said that it was a way for South Korean companies to eventually set up factories and hire workers at low costs.

The wealth of the Unification Church is a secret, but its land holdings in South Korea were valued at more than \$1 billion in 1990, according to a study by the Far Eastern Economic Review.

Mr. Pak said he hoped the trip would give Tongil a tactical advantage in the North over Hyundai Group, South Korea's largest conglomerate, which sent a team to Pyongyang last month to talk about opening the Diamond Mountain region in southeastern North Korea to tourism.

Hyundai's founder, Chung Ju Yung, whose native village is near the east coast and 20 miles (32 kilometers) north of the area proposed for tourism, is the region for tourism in a pioneering mission to North Korea in 1989.

Mr. Chung, now 84, hopes to revisit the North in the next few weeks, but Mr. Pak will be competing for much the same business.

Mr. Pak noted that the Unification Church, through business arms outside Korea, owns the hotel in Pyongyang where the Little Angels group will be staying. The fact that Mr. Pak, who helped the Reverend Moon found the ensemble in 1962 and the Washington Times newspaper in 1982, can go from South to North Korea on such a mission symbolizes a shift in South Korea's

See CHURCH, Page 11

CURRENCY & INTEREST RATES

Cross Rates									
\$	£	FRF	DM	Yen	DKR	ILS	SF	Tm	Cr.
1.28	1.335	1.129	0.328	107.4*	5.65*	1.245	1.985*	1.00	1.00
Brussels	22.19	26.025	4.325	200.2*	10.225	—	25.8	24.25*	—
Frankfurt	1.798	2.978	2.645	102.8*	5.225	6.178	2.085	1.00	1.00
London (o)	1.664	2.645	2.028	102.5*	5.225	22.461	2.085	21.714	—
Madrid	15.94	24.234	18.92	23.25	8.80*	7.618	11.597*	10.205	10.205
Paris	1.7715	24.0170	19.570	24.0170	8.7715	12.98	12.000	11.597	11.597
Tokyo	1.428	1.933	1.377	1.377	2.985	1.656	4.874	4.874	4.874
Toronto	1.205	1.380	2.111	0.521	5.298	8.73	9.28	9.28	9.28
1 ECU	1.4703	0.862	0.209	0.862	0.7143	0.871	0.869	0.869	0.869
1 SDR	1.365	1.082	0.269	1.082	0.862	0.871	1.188	1.188	1.188

Closings in Amsterdam, London, Paris, and Tokyo, and Toronto rates from May 1st offers from April 30th.

Amsterdam, London, New York, Tokyo, and Toronto rates from May 1st not quoted: A.L.A.: not available.

To buy one pound: £. To buy one dollar: \$ Units of 100 NLG: ₣. Not quoted: A.L.A.: not available.

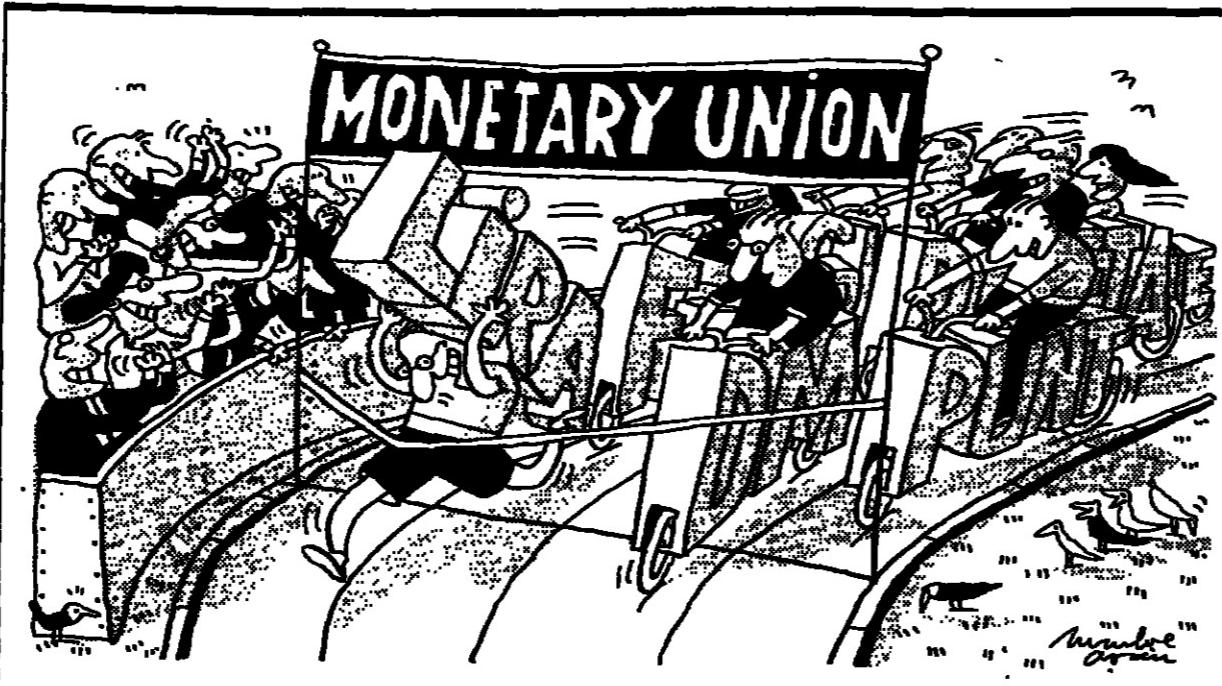
Other Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Argent. peso	0.0099	Greek drach.	312.60	N. Amer. peso	0.656	N. K. won	5,0294	U.S. dollar	1.00
Austrian sch.	1.5354	Hong Kong \$	7.4748	N. Zealand \$	1.8051	Swed. krona	7.7251	Taiwan \$	32.27
Brazil real	1.1436	Hung. forint	2.97	Irish punt	7.3468	Tobago \$	1.00	Togo CFA franc	269.150
Chinese yuan	8.2787	Indian rupee	39.71	Polish zlote	4.21	Togo franc	269.150	Togo franc	269.150
Czech crown	6.2275	Israeli shek.	3.705	Pork escudo	40.23	Togo franc	269.150	Togo franc	269.150
Danish krona	6.2275	Korean won	1,169	Romanian leu	2.7498	Togo franc	269.150	Togo franc	269.150
Egypt. pound	3.418	Malaysian ring.	3.6785	Saudi riyal	1.5827	Venez. boliv.	536.75	Venez. boliv.	536.75
Ft. sweden	5.429								

Forward Rates

Currency	30-day	40-day	90-day	Currency	30-day	40-day	90-day	Currency	30-day		
Argent. peso	1.6667	1.6644	1.6600	Japanese yen	132.72	132.17	131.58	Swiss franc	1.4932	1.4982	1.4925
Forward Sterling	1.4308	1.4259	1.4291								
Canadian dollar	1.7108	1.7088	1.7052								
Deutsche mark	1.7088	1.7052	1.7020								

Sources: ING Bank (Amsterdam); Cera Investment Bank (Brussels); Banca Commerciale Italiana (Milan); Banque de France (Paris); Bank of Tokyo-Mitsubishi (Tokyo); Bloomberg and Reuters. Holland (Amsterdam); Deutsche Bank (Frankfurt); Royal Bank of Canada (Toronto); IMF (SDR).



Please Pardon Italy if It's Gloating

As Euro Takes the Field, Rome Celebrates Success in Making the Team

By Alessandra Stanley
New York Times Service

ROME — This weekend, 11 countries will formally join the European monetary union. Dismissed only a year ago as one of the countries least likely to make the finish line, Italy will sail across it with its arms stretched out in exultant victory.

Italian officials, who trimmed the deficit, lowered interest rates and began reducing Italy's staggering public debt, view themselves as "Chariots of Fire" underdogs who won an Olympic race. Skeptics, particularly Germans, tend to view Italy as a chorus girl who took diuretics to slim down and fit her size 6 costume. And there is a lingering fear that any moment she could pig out, swell up and ruin the entire kickline.

Truth lies somewhere between the two caricatures. The coalition government of Prime Minister Romano Prodi, supported by a rare consensus among labor unions, business and taxpayers, made heroic strides in cutting spending and raising revenue to bring down Italy's deficit to European standards. Mr. Prodi was also lucky: inflation and interest rates are down worldwide, making it easier for Italy to pay its debts and keep its inflation low. Much of the fiscal discipline has been relatively painless.

"We Italians have had to go without dessert a few times," is how Giorgio Benvenuto, president of the finance committee in the Italian Parliament,

described Italy's Eurodier. "But we have not yet had to miss a meal."

The concern now is not that Italy will be excluded, but that once in, it will retreat and fail to sustain necessary and more painful fiscal discipline and structural reform.

For the moment, Italy is gloating, its victory sweetened by the memory of many sour predictions by European Union officials in Brussels and others that Italians would never be able to pull their economy into shape to join the monetary union, which is to create a common currency, the euro. As late as 1997, Italy's chances seemed embarrassingly dim. In 1992, when the Italian lira went into free fall and was pulled out of the European exchange rate mechanism, they seemed hopeless.

But the lira crisis, compounded by a typhoon of political corruption scandals, forced Italy to scale back its reckless spending.

It's economic comeback was also helped by the devalued lira, which gave Italian business a competitive advantage. When Mr. Prodi was elected in 1996, he campaigned on a message of Europe or bust.

But Italians cannot yet afford to let up. Italy's public debt, for one thing, is still alarmingly off-key: At 122 percent of gross domestic product last year, the debt is twice the level mandated by the single currency treaty.

The government last week published a three-year plan to reduce public debt to 107 percent of gross domestic product by 2001 and to balance the budget after that.

But the government, eager to reassure its European partners that Italy will maintain its new discipline, also said it would get the debt down to 100 percent of GDP by 2003 and to the limit of 60 percent by 2016, the level required by the Maastricht treaty establishing a single currency.

In Italy, economists are torn between horror and wry amusement at the pledge.

Even if the European and American economies remain relatively good and Italy sustains a growth level of 2.7 to 3 percent in the coming years as it predicts — a feat that Italy has not accomplished in a decade — it would be financially and politically difficult to continue spending cuts to pay off debt. In a recession, it would be all but impossible.

The political majority that got Italy into Europe cannot get it out of debt," said Renato Brunetta, a political economist who heads the Fondazione G. Brodolini, a research institute. He insisted that Italians — let alone the Communists whose support the government needs — would never accept, for more than a decade, having to pay more in taxes than the government provides in services. Mr. Brunetta said the pledge would spark "a French Revolution."

Others are more sanguine. "We have a moral obligation to steadily reduce our public debt," said Paolo Leon, an economist at the University of Rome. "But there is nothing about

See LIRA, Page 11

U.S. Economy Posts Surprising Growth

Inflation Is Subdued as Rate Reaches 4.2%

By Sylvia Nasar
New York Times Service

NEW YORK — The American economy grew at a surprisingly strong pace this winter, and inflation remained unexpectedly subdued, the government has reported.

Instead of slowing down as the Asian recession hit American manufacturers, the economy picked up speed, according to data released Thursday, growing at a 4.2 percent annual rate in the first quarter compared with a 3.7 percent rate in the previous quarter. And instead of drifting higher as Washington and Wall Street feared, the broadest measure of inflation dipped below 1 percent to its lowest since 1964.

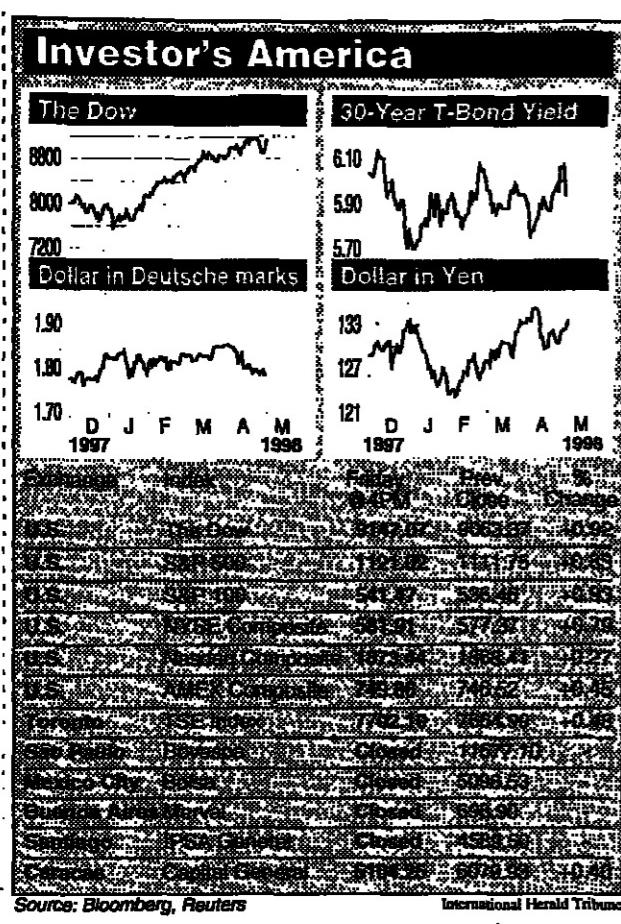
"We keep expecting a slowdown, and it never comes," said Jeffrey Frankel of the Council of Economic Advisers. "We're returning to the economy of the '50s and '60s — a remarkable combination of strong growth without inflation."

President Bill Clinton called the data more evidence of an "American renaissance" in which opportunity is abundant. "He said that growth was not being 'fueled by big government deficits,'" in an apparent reference to the recovery of the 1980s, and dismissed the notion that the economy was bumbling over with speculative excesses. He gave much of the credit for the economy's performance to Alan Greenspan, chairman of the Federal Reserve Board.

Investors have been fretting that the Fed is about to raise interest rates, a concern that helped send the Dow Jones industrial average plummeting more than 140 points Monday.

On Thursday and Friday, they apparently decided to focus instead on the good news on inflation, which touched off rallies in the stock and bond markets. The Dow climbed 111.85 points Thursday and a further 83.70 points Friday to close at 9,147.07.

THE AMERICAS



Source: Bloomberg, Reuters

Euro-Optimism Drives Investors to the Market

Bloomberg News

NEW YORK — The dollar fell against the Deutsche mark Friday amid optimism that the European single currency would proceed as planned.

Although the dispute over who would become the first president of the European Central Bank remained unresolved, traders speculated that a satisfactory deal would be reached.

Investors bought marks on expectations that a European Union

currency trader at Manufacturers & Traders Trust Co.

Also pulling the dollar down against the mark were sales of yen for marks. Many mark-yen transactions are made through the dollar, with traders selling yen to buy dollars, then selling those dollars to purchase marks.

For months, many traders avoided the mark because the single European currency would link the mark to historically less stable currencies such as the Italian lire.

Recently, they have warmed to monetary union as Italy and other prospective euro members have cut their debt and deficit levels and met other strict economic criteria outlined in the Maastricht treaty that governs the single currency.

"Everybody held back on doubts about monetary union, and now they're stepping up to the plate," said Keith Woodfin, an analyst at Foreign Exchange Analytics.

"EMU has overcome so many doubts — countries were not supposed to meet the Maastricht criteria, but they pulled it off."

The dollar also fell against other currencies expected to begin the conversion to euros Jan. 1. It dropped to 5.9700 French francs from 6.0230 francs and to 1.4925 Swiss francs from 1.5010 francs.

The pound was at \$1.6660, down from \$1.6719, after a weaker-than-expected British purchasing managers' index of activity in the manufacturing sector for April.

FOREIGN EXCHANGE

meeting Saturday that will decide which countries can join the euro would contain no surprises.

"People waited to see what would happen and are looking at the size of the economy that will be brought under one currency roof and are saying, 'Let's get on board,'" said Matthew Robertson, a manager at Neuberger & Berman.

In 4 P.M. trading, the dollar fell to 1.7833 Deutsche marks from 1.7958 DM on Thursday. Traders said the dollar's moves may have been exaggerated because much of Europe was observing the May Day holiday.

The U.S. currency rose to 133.450 yen from 132.875 yen as more signs of weakness in Japan's economy made investors shun Japanese assets and the yen needed to buy them.

"There's no end in sight for the softening of the Japanese economy," said John Hazelton, chief cur-

rency trader at Manufacturers & Traders Trust Co.

On May 1, he added, "I think it's Greenberg's ship, and he is the captain."

The leadership change, effective Aug. 1, had been expected for months and comes as McDonald's is trying to improve its food quality and win back market share lost to competitors in recent years. The

McDonald's Changes Leadership

Action Reflects Company's Effort to Improve Food Quality

By Dana Canedy
New York Times Service

NEW YORK — A month after McDonald's Corp. said it would overhaul the kitchen system in its U.S. restaurants and streamline its home office, the executive behind the reorganization has been appointed to run the entire company.

Jack Greenberg, 53, vice chairman of the corporation and chairman and chief executive of the U.S. division, will become president and chief executive of the worldwide company. McDonald's said Thursday. He will succeed Michael Quinn, who will remain chairman.

The leadership change, effective Aug. 1, had been expected for months and comes as McDonald's is trying to improve its food quality and win back market share lost to

company has also endured a recent string of product flops and marketing blunders.

"Greenberg has been behind many of the most recent changes, in particular the refocus on returns in the U.S. and the move for food production system, which will hopefully address some of the food-quality issues," said Jeffrey Omoimiro, an analyst who follows the company for Wheat First Union.

"His leadership in those areas is being recognized. I think it's Greenberg's ship, and he is the captain."

The company also said James Cantalupo, 54, president and chief executive of McDonald's International, would become chairman of the international business and vice chairman of the worldwide company.

Alan Feldman, 46, who is president of the Northeast division of McDonald's USA, will become

president of the U.S. business.

On Mr. Quinn's watch, McDonald's rapidly expanded its American restaurant base and increased its presence to 109 countries. It now has 23,000 restaurants, half of them in the United States.

But until recently, the company's organizational structure in

the United States was too cumbersome, analysts said, and some of its recent product introductions and marketing efforts have not gone well.

Mr. Greenberg, though, has been able to win over franchisees who had become frustrated by the missteps. He has made himself accessible and changed the company's structure to give regional division heads more authority to better manage their territories, said David Grossman, who follows the company for BT Alex. Brown Inc.

Very briefly:

• Boeing Co. was awarded a contract to coordinate development of a system for defending the United States against ballistic missile attack. The contract provides about \$1.6 billion for a three-year program, with options for as much as seven years of continued development valued at several billion dollars more. Lockheed Martin Corp. had formed a joint venture with Raytheon Co. and TRW Inc. to compete against Boeing for the contract.

• Hughes Electronics Corp. will raise its stake in PanAmSat Corp., a provider of broadcast and telecommunications services, to 81 percent from 71.5 percent, in a transaction valued at about \$550 million.

• Eastman Kodak Co., struggling to develop its digital-imaging business, is teaming up with Intel Corp. to cut the cost of putting photographs on computer disks.

• Ameritech Corp. is raising its monthly charge for unlimited Internet access by 10 percent, to \$21.95, following a similar price increase by America Online Inc., the market leader.

• Bell Atlantic Corp. announced a 2-for-1 stock split. The stock of the largest U.S. local phone company has risen 43 percent in the past year. Its stock rose \$3.6875 Friday to close at \$97.25.

• Lycos Inc., an Internet navigation company, purchased Wisewire Corp., an Internet content software maker, in a stock swap valued at \$39.8 million. With the move, Lycos hopes to improve search capabilities on its Web site and chip away at Yahoo! Inc.'s dominance of the market.

• Lego AS signed a multiyear agreement with Lucas Licensing Ltd., a subsidiary of Lucasfilm Ltd., to make and sell construction toys based on the original "Star Wars" trilogy as well as new "Star Wars" movies to be released over the next decade. Financial terms of the deal were not disclosed.

• MCI Communications Corp.'s first-quarter profit dropped 66 percent, to \$101 million, after the company depreciated the value of its telecommunications-network equipment by \$137 million.

Reuters, Bloomberg, AP

'Visionaries' Out of a Job

A Flagging Boston Chicken Replaces Co-Chairmen

Compiled by Our Staff From Dispatches

GOLDEN, Colorado — Boston Chicken Inc. said Friday that its chief executive and president had resigned and were being replaced by J. Michael Jenkins, a company outsider with 37 years of experience in the restaurant industry.

The once fast-growing chain, which is moving away from its franchising system in an effort to bolster profit, said Mr. Jenkins, who will also be chairman, succeeds Saad Nadir, who resigned as co-chairman and chief executive, and Scott Beck,

who is leaving as co-chairman and president, the company said.

The former Blockbuster Entertainment executives quit less than a year after taking control.

"This is a watershed event," said Roger Lipton of Lipton Financial Services in New York, who has been urging investors to sell Boston Chicken shares short for more than two years. "These guys were the visionaries."

A former Wall Street darling, the market value of Boston Chicken, operator of 1,166 restaurants, topped \$2.5 billion in late 1996 before falling more than 80 percent. Boston Chicken's shares rose 71.875 cents Friday to close at \$5. (Reuters, Bloomberg)

Mr. Jenkins, who will also be chairman, succeeds Saad Nadir, who resigned as co-chairman and chief executive, and Scott Beck,

who is leaving as co-chairman and president, the company said.

The former Blockbuster Entertainment executives quit less than a year after taking control.

"This is a watershed event," said Roger Lipton of Lipton Financial Services in New York, who has been urging investors to sell Boston Chicken shares short for more than two years. "These guys were the visionaries."

A former Wall Street darling, the market value of Boston Chicken, operator of 1,166 restaurants, topped \$2.5 billion in late 1996 before falling more than 80 percent. Boston Chicken's shares rose 71.875 cents Friday to close at \$5. (Reuters, Bloomberg)

Economic Data Help Stocks Gain

Compiled by Our Staff From Dispatches

NEW YORK — Stocks rose Friday, led by financial issues as fresh economic reports confirmed that there was little need for the Federal Reserve Board to raise interest rates.

The Dow Jones industrial average rose closed 33.70 points higher at 9,147.07. The Standard & Poor's 500 index rose 9.27 to 1,121.02. The Nasdaq composite index rose 5.02 to 1,873.43.

Analysts said the market had been able to extend Thursday's sharp rally after the National Association of Purchasing Management reported that its index manufacturing activity fell to 52.9 in April from March's 54.8. With the price component of the report also pointing to a very low inflation rate, analysts said interest-rate-sensitive stocks were able to lead the market higher.

The benchmark 30-year Treasury bond rose 7/32 to 102 22/32, taking the yield down to 5.93 percent from 5.95 percent.

"The market is in a rally mode," said Alan Ackerman, chief market strategist at Fahnestock & Co.

"Much of this has to do with the sense there's economic growth with no inflation. Interest-rate sensitivity has calmed down a bit."

Fleet Financial Group rose 2 7/16 to 88 13/16. BankBoston jumped 2 15/16 to 110 7/8, and J.P. Morgan rose

3 7/8 to 135 1/4. Mellon Bank fell 15/16 after analysts who had met with Bank of New York's chairman, Thomas Renyi, said the bank may drop its \$24.2 billion bid for Mellon. Bank of New York rose 13/4 to 60 13/16.

Oil-drilling, production and services shares led the market higher.

U.S. SNAPSHOT

as the price of crude oil rose 74 cents to \$16.13 a barrel, the biggest gain in five weeks. The Organization of Petroleum Exporting Countries came close to meeting promised production cuts last month, signaling its commitment to end a supply glut.

Chevron rose 3 11/16 to 86 7/8. Exxon rose 2 11/16 to 75 7/8, and Mobil rallied 3 7/16 to 82 9/16.

Dow stocks fell, capping the market's advance. Eli Lilly led the slide,

falling 3 1/16 to 66 6/8, on concern that sales of its new bone-thinning treatment Evista would not be as strong as expected.

Boeing, a member of the Dow industrials, rose 1 1/2 to 51 9/16 after the company won a contract to develop a continental missile defense system potentially worth \$2 billion over the next 10 years.

Heller Financial rose 3 to 30 in its first day of trading after the commercial finance company's \$1.04 billion initial public offering in almost two years.

K-Tel International was up 9 7/32 at 46 1/4 after the on-line music service said it had acquired rights to Billboard magazine's weekly chart package from BPI Communications Inc. Terms were not disclosed.

(Bloomberg, Bridge News)

U.S. Accuses Greece of Copyright Piracy

Compiled by Our Staff From Dispatches

WASHINGTON — The United States accused Greece on Friday of widespread piracy of American television programs and movies and said it would file a complaint on the matter before the World Trade Organization.

"Approximately 150 Greek TV stations continue to broadcast U.S.-owned motion pictures and television

programming without authorization and without any payment of compensation to U.S. copyright holders," the U.S. trade representative, Charlene Barshefsky, said.

As part of an annual review of piracy of copyrights and patents, the United States put 15 trading partners including Israel, Argentina and the European Union on a "priority watch list."

(AP, Bloomberg)

AMEX

Friday's 2 P.M.
The 300 most traded stocks of the day.
The Associated Press

Stock

Sales

High

Low

Latest

Chgs

Opns

Stocks

Sales

High

EUROPE

Standoff Over Credit Lyonnais

Agence France-Presse

BRUSSELS — The French government has rejected the European Commission's proposals for rescuing the banking company Credit Lyonnais, European sources said Friday.

The commission, the executive agency of the European Union, has said France must agree to its terms for a new aid package this weekend or it will refuse to allow Paris to inject any more state funds into the bank, a move that could lead to the company's bankruptcy.

But the sources said Finance Minister Dominique Strauss-Kahn of France, in a letter to the commission April 24, rejected the commission's estimate that Lyonnais needs 145 billion to 190 billion French francs (\$24 billion to \$31.6 billion) in state aid as too high.

Such an estimate implied that tough measures would have to be taken that could threaten the bank's viability, according to the sources, who estimated the necessary aid at 80 billion francs.

The European Commission's proposals include a restructuring to rid the company of assets worldwide valued at some 600 billion francs, reducing its French activities by 22.5 percent and the privatization of the bank, something a previous French government agreed in 1993 to do by 1998 in exchange for 45 billion francs in aid.

The president of the European Commission, Jacques Santer, said Friday that the opposing sides should be able to find a solution that will be in the interests of Credit Lyonnais' despite the deep difference between Paris and Brussels.

U.K. Manufacturing Sector Shrinks

Bloomberg News

LONDON — Britain's manufacturing sector shrank for the first time in almost two years in April as the strong pound took a heavy toll, according to a survey released Friday.

The Chartered Institute of Purchasing and Supply's report business said its purchasing managers index dropped to 49.5 last month from 52.3 in March. Any reading below 50 denotes a contraction, and this was the first one since May 1996.

Separately, the Bank of England reported that net consumer borrowing rose by £1.43 billion (\$2.39 billion) in March, the highest figure since it began keeping the records in 1993.

The gloomy prognosis from the purchasing man-

agers' report capped a bearish week for British industry.

On Tuesday, official figures showed that Britain's overall trade deficit widened sharply in February, to £2.2 billion, while the Confederation of British Industry said business confidence about exports had slumped an 18-year low.

The Chartered Institute said the cause of the slump was the pound, which has risen by about 25 percent since mid-1996 in spite of a recent wobble.

As it has climbed, the pound has pushed export prices higher. Britain's manufacturers may account for less than a quarter of the economy, but they sell well over half their output abroad and now are perilously close to the edge of recession.

French Unemployment Rate Falls to 12%

Reuters

PARIS — Unemployment in France fell in March for the sixth time in seven months, giving the latest sign of the economy's health and setting the stage for further declines, according to government officials.

The Labor Ministry said Thursday that the number of people unemployed in France dropped by 37,000, to 2,989,800 in March, cutting the unemployment rate to 12 percent from 12.1 percent in February and marking the first time since January 1996 that fewer than 3 million people

were registered as unemployed.

"This is a very good figure; we have gone below the 3 million mark," said Finance Minister Dominique Strauss-Kahn. "It shows that growth is back."

Economists said the drop in French unemployment was mostly the result of stronger economic growth, but they said that part of it could be attributed to more flexibility in the labor market.

"This is due to the economic rebound, but we can also remark that this is evidence the labor market is

more flexible than it used to be," said Stephane Deo, economist with Goldman Sachs in Paris. "With the same growth, the economy creates more jobs."

French employers were relying more on part-time or temporary hires to circumvent restrictive labor legislation, Mr. Deo said. Philippe Brossard, head of research at ABN-AMRO in Paris, said the employment growth would be "a favorable factor for household purchasing power and could lead people to lower their savings, which remain relatively high."

High-End Strategy Raises Profit at Unilever

Compiled by Our Staff From Dispatches

LONDON — Unilever NV said Friday its pretax profit in pounds was up 56 percent in the first quarter, beating expectations, as the British-Dutch consumer-products conglomerate focused on premium brands.

Pretax profit in the quarter reached £754 million (\$1.26 billion), compared with £482 million in the year-earlier period. In Dutch currency terms, net profit was 1.44 billion guilders (\$712.3 million), com-

pared with 898 million guilders a year earlier. Sales slipped 1 percent, to £7.07 billion from £7.18 billion.

"We have seen a good margin increase across the board," a spokesman said. "Europe has continued to make a strong contribution to the improved results, and profits have recovered in North America."

Eighteen months ago, Unilever started shedding lower-return assets and broadening market share in higher-margin food and consumer-goods

markets to better compete with rivals such as Nestle SA. Unilever attributed the earnings rise to restructuring in Europe and North America plus a gain in commodity prices that lifted its Asian and Pacific operations.

The company said results had been skewed by a change in accounting methods that made this first quarter six days longer than the 1997 period. That gain will be offset in the fourth quarter, the company said.

(AP, AFX, Bloomberg)

CHURCH: Reverend Moon's Group Looks North

Continued from Page 9

outlook since President Kim Dae Jung took office in February.

Mr. Pak angered South Korea by attending the funeral of Kim Il Sung and meeting with his son, Kim Jong II.

Threatened with arrest under South Korea's national security law for unauthorized contact with the North, he did not return to Seoul from his residences in Tokyo and Washington until about a year ago, after receiving assurances that he would not have to face charges.

North Korea is playing host to the group — its first invitation to a private South Korean cultural group — despite the failure April 18 of talks at the vice-ministerial level between negotiators from North and South Korea in Beijing. In a sign of the significance they attach to the mission, South Korean officials are permitting live broadcasts of the Little Angels' three Pyongyang concerts on at least one South Korean radio station.

Officials said more than 30 South Korean firms had applied to do business in the North, and they said the government was likely to accept virtually any application that did not compromise security interests.

Daewoo Corp. so far is the only South Korean company with factories in the North. Its chairman, Kim Woo Choong, invested \$5 million in 1996 in factories for making shirts, blouses, jackets and golf bags in the North Korean port city of Nampo. The results have been mixed.

"Our production is now low," said Kim Sang Ook, general manager of Daewoo's operation in the North. "We think in another two years, productivity will be the level of our target. Now we have to wait."

The main problem, he said, was the lack of experience of North Korean workers. "We have to guide them on every order, every style," he said.

Reasons for reluctance among South Korean companies to go to the North range from the low skill levels of North Korean workers to bureaucratic problems to difficulties in obtaining credit from banks in South Korea for such high-risk ventures in view of the South's own economic problems.

EUROPE: Hope for Solution to Bank Dispute

Continued from Page 1

current head of the European Monetary Institute, and the next four to Mr. Trichet, putting him in charge for part of 2002, when euro bank notes and coins are to be introduced. Pierre Moscovici, the European affairs minister of France, said this would be a "wise solution."

Mr. Santer, however, said this would breach the Maastricht treaty on European Union and would therefore not be acceptable. The prime minister of Luxembourg, Jean-Claude Juncker, said he would veto such a proposal as being unconstitutional.

Nevertheless, Mr. Santer said, "I am confident that we will have a decision on Saturday afternoon or Saturday evening." That was echoed by the European commissioner in charge of overseeing monetary union, Yves-Thibault de Silguy, who said: "There will be agreement on the naming of the first president of the ECB this weekend in Brussels."

One thing was certain as the government heads prepared to meet: A tremendous amount of horse-trading was going on. Prime Minister Tony Blair of Britain flew to the Hague in an attempt to patch together a deal with his Dutch counterpart, Wim Kok.

A German government source said Mr. Kohl had made a series of last-minute phone calls to other leaders.

Another possibility was that the summit leaders would fail to reach agreement this weekend. The central bank post does not have to be filled until July 1. But many officials said that such a deadlock would send a negative message to financial markets and hold up the nomination of five other members of the central bank's executive board.

"No agreement on the European Central Bank would be bad news for the market," Riccardo Barbieri, chief economist at Morgan Stanley Dean Witter, told Bloomberg News.

To a large extent, analysts said, Mr. Chirac has made his point that the appointment of the central bank head should be a political matter rather than an issue for central bank governors to decide.

The struggle to impose Mr. Trichet is like France's insistence that the euro must contain a political as well as an economic dimension. Over German objections, France succeeded in setting up an informal council of finance ministers to run the euro zone, shutting out the four EU

countries that are not immediately adopting the currency: Britain, Denmark, Greece and Sweden.

Meanwhile, finance ministers put their seal of approval on the countries that will give up their national currencies in favor of a new coinage called the euro.

Officials said the ministers

seconded the opinion given in March by the European Commission, the EU's executive arm, that 11 countries — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain — had reached the necessary degree of economic convergence to be able to join the single currency.

The heads of state Saturday will endorse the finance ministers' decision and may express encouragement for Greece's attempt to catch up with the others and perhaps as soon as 2001 join the currency zone, which will link nearly 300 million people.

Also on Saturday or Sunday, finance ministers were scheduled to announce the rates at which national currencies will convert against one another Jan. 1. This measure is designed to create conditions of maximum stability in the months leading up to the euro's introduction.

LIRA: Pardon Italy if It's Gloating About EMU

Continued from Page 9

in power, Mr. Prodi is the third-longest-lasting government since World War II. Mr. Prodi's ability to keep his Olive Tree coalition of Socialists, former Communists and former members of the Christian Democratic Party on a tight fiscal leash is attributable both to Italy's fear of a future outside Europe and disgust with its own scandalous past.

Polls indicate that more than 70 percent of Italians favor joining a European monetary union, with its single currency and central bank, mostly because they fear exclusion would condemn Italy to Third World status.

And Italians still express anger over the deep-rooted corruption, bribery and fiscal recklessness that fueled business and politics for decades. Corruption scandals eventually brought down Italy's mightiest.

That sentiment is echoed even in the Italian Treasury, where one official, who spoke on condition of anonymity, explained that Italy "would not lose if its discipline flagged." "It would be like kicking Alabama out of the United States," he said.

At home, Mr. Prodi's Communist allies are already making noises about leaving the governing coalition in the fall, but given its revolving-door history, Italy's current political stability is astonishing. After nearly two years

Cendant Buys 2d Road-Aid Service in Push in U.K.

Compiled by Our Staff From Dispatches

London

FTSE 100 Index

CAC 40

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

3,500 3,600 3,700 3,800 3,900 4,000 4,100 4,200

NYSE

Friday's 2 P.M.

The 2,000 most traded stocks of the day.
Notionalwide prices not reflecting late trades elsewhere.

The Associated Press

12 Month High Low Stock Div Yld PE 100% High Low 100% Low Last Chg										12 Month High Low Stock Div Yld PE 100% High Low 100% Low Last Chg										12 Month High Low Stock Div Yld PE 100% High Low 100% Low Last Chg																				
A-B-C					D-E-F					G-H-I					J-K-L					M-N-O					P-Q-R					S-T-U										
High	Low	Stock	Div	Yld	PE	100% High	100% Low	Last	Chg	High	Low	Stock	Div	Yld	PE	100% High	100% Low	Last	Chg	High	Low	Stock	Div	Yld	PE	100% High	100% Low	Last	Chg	High	Low	Stock	Div	Yld	PE	100% High	100% Low	Last	Chg	
224 20 AAR	19	AAR	1.24	1.24	221	224	207	205	+1.00	224 20 AAR	19	AAR	1.24	1.24	221	224	207	205	+1.00	170 19 ABBE	17	ABB	1.24	1.24	170	19 ABBE	17	ABB	1.24	1.24	170	19 ABBE	17	ABB	1.24	1.24	170	19 ABBE	17	ABB
252 20 ACE	19	ACE	1.00	1.00	223	252	257	254	+1.00	252 20 ACE	19	ACE	1.00	1.00	223	252	257	254	+1.00	278 17 ACFC	27	ACFC	1.00	1.00	278	17 ACFC	27	ACFC	1.00	1.00	278	17 ACFC	27	ACFC	1.00	1.00	278	17 ACFC	27	ACFC
179 20 ACFO	20	ACFO	1.00	1.00	197	179	179	179	+1.00	179 20 ACFO	20	ACFO	1.00	1.00	197	179	179	179	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
179 20 ACFO	20	ACFO	1.00	1.00	197	179	179	179	+1.00	179 20 ACFO	20	ACFO	1.00	1.00	197	179	179	179	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	15 20 ACFO	15	ACFO	1.00	1.00	15	15	15	15	+1.00	279 17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO	1.00	1.00	279	17 ACFO	27	ACFO
15 20 ACFO	15	ACFO	1.00	1.00	15</td																																			

ASIA/PACIFIC

Bank of Japan Splurges on the Yen

Tokyo Spent a Record \$21.35 Billion in April to Shore Up Currency

Compiled by Our Staff From Reuters

TOKYO — The Bank of Japan spent a record of at least \$21.35 billion buying yen in the foreign-exchange market in April to try to bolster the Japanese currency, but with only limited results, bankers said Friday.

Data from the central bank showed that the Ministry of Finance received 2.775 trillion yen — \$21.35 billion at the rate of 130 yen to the dollar — from the private sector in April through its special foreign-exchange account.

Analysts said the volume of dollar sales in yen terms could be roughly estimated from the data, which include receipts from such sources as commercial banks, foreign central banks, municipal governments, public funds and quasi-governmental institutions but exclude the Finance Ministry's sales of financing bills.

The Finance Ministry announced that Japan's external reserves fell a record \$17.84 billion in April, to \$205.76 billion. The previous record decline was in March 1991, when the reserves fell by \$8.06 billion.

"Considering the amount that the BOJ intervened through our bank, the intervention was the largest in my memory," a banker said of the min-

istry's actions in April. The banker said the central bank's biggest year for intervention was 1996, when it bought about \$55 billion with yen to halt the Japanese currency's rise.

The banker said the actual amount of dollar sales in April could have been larger than the \$21.35 billion estimated by most bankers, because funds from Ministry of Finance deposits at commercial banks had also been used.

The Finance Ministry has confirmed that the central bank stepped into the foreign-exchange market to sell dollars in New York on April 9. Bankers said the central bank also intervened heavily in Tokyo the following day.

The Bank of Japan sold as much as \$20 billion on both days to support the sagging yen, according to estimates by traders. The dollar moved in a range of 127.40 yen to 135.50 yen during those days in New York and Tokyo trading. In Tokyo on Friday, the dollar stood at 133.05 yen.

"That says the intervention may not have worked effectively, despite the large scale of the action," another banker said.

The banker said that the cost-effectiveness of the intervention appeared poor and that there was talk it

had caused problems for the U.S. Federal Reserve Board, which had to absorb funds in the money market after it was flooded by dollars.

Separately, Japan's household spending in the year that ended in March fell a record 2.1 percent from a year earlier, reflecting weak consumption as the nation's economy continued to suffer a downturn, a government agency said.

The decline, which followed a 0.1 percent drop in the previous year, was the largest since the Economic Planning Agency started compiling the data in 1963. The previous reading was a 1.3 percent fall in 1994-95.

The Labor Ministry, meanwhile, said the average monthly salary declined for the eighth consecutive month, to 315,717 yen (\$2,585), 1.5 percent less than last year when inflation was taken into account.

In the year that ended March 31, salaries fell 1.2 percent, their first decline in four years, the ministry said. Among blue-collar households, salaries dropped 2.5 percent in March, the fifth consecutive monthly decline, the Management and Coordination Agency reported.

(Reuters, AFP, Bloomberg)

Very briefly:

• South Korea posted a record trade surplus of \$3.93 billion in April, in contrast to a \$1.41 billion deficit a year earlier, mainly because cuts in spending and investment slowed imports, the Ministry of Commerce, Industry and Energy said. But economists said the structure of the surplus was worrisome because export growth, already weak, would crumble unless the country could import necessary raw materials.

• South Korea's 26 commercial banks had losses averaging 35.1 million won (\$25,071) per employee last year as their profitability plunged amid mounting bad loans, the Office of Bank Supervision said. A year earlier, the banks had a profit averaging 7.5 million won per employee.

• The Asian Development Bank's concessional loan reserves are short \$1.7 billion because of the weak yen and because some shareholder countries have fallen behind on their contributions, the bank's chief, Mitsuo Sato, said.

• Japan's motor vehicle sales in April fell 7.4 percent from a year earlier, to 302,667 units, the 13th consecutive monthly decline. Sales fell 20.7 percent in March, according to Japan Automobile Dealers Association figures.

• Australia's prime minister, John Howard, vowed to press ahead with reform of Australian ports regardless of the outcome of a legal battle for reinstatement of 1,400 dismissed dockers. There has been speculation that the High Court on Monday will reject an appeal by Patrick Stevedores against reinstatement of the dockers fired April 7.

• Mitsubishi Electric Corp. said it would have a group net loss for the year ended March 31 of 105 billion yen (\$789 million), compared with its earlier estimate of a 70 billion yen loss.

• Singapore Airlines is holding preliminary negotiations to buy a stake in Thai Airways. Singapore Air said it had "expressed an interest in buying a stake" in Thai Airways but said it would be "premature" to say more.

• Groupe Danone made an agreement to acquire a strategic stake in the Asian food and beverage maker Yeo Hiap Seng Ltd., officials said. The two companies also signed an agreement to assess strategic opportunities for investment in and

Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
13000	2000	17600
12000	1600	17000
11000	1400	16400
10000	1200	15800
9000	1000	15200
D J F M A M 1997	D J F M A M 1997	D J F M A M 1997
Exchange Index	Friday Close	Prev. Close % Change
Hong Kong Hang Seng	Closed 10,563.68	10,383.68 +1.73
Singapore Straits Times	Closed 1,493.40	-
Sydney All Ordinaries	Closed 2,804.28	+1.52
Tokyo Nikkei 225	Closed 15,601.10	15,641.20 -0.26
Kuala Lumpur Composite	Closed 625.97	-
Bangkok SET	Closed 412.13	-
Seoul Composite Index	Closed 421.22	-
Taipei Stock Market Index	Closed 8,304.21	-
Manila PSE	Closed 2,181.32	-
Jakarta Composite Index	Closed 4,485.25	-2.52
Wellington NZSE-40	Closed 2,253.29	2,256.54 -0.14
Bombay Sensitive Index	Closed 4,906.81	-

Source: Telakur International Herald Tribune

development of Yeo Hiap Seng's food and beverage business.

• Fuji Bank Ltd. said it hoped to raise more than \$900 million Friday from listing its American unit, Heller Financial Inc., on the New York Stock Exchange. Of Heller's 90.08 million shares outstanding, 33.5 million are to be listed, with an initial public offering price of \$27 a share.

Reuters, AFP, AP

Asia Crisis Takes Toll On Singapore Growth

The Associated Press

SINGAPORE — Singapore cannot escape the fallout from Southeast Asia's financial crisis, which has already set back the country's economic development by two or three years, Prime Minister Goh Chok Tong said Friday.

He said regional troubles would shave more than two percentage points off growth this year, but he said Singapore had been less affected by the crisis than its neighbors.

"The plunge in the value of our currency against the U.S. dollar and the drop in our share prices have been less severe than in other countries," he said. But the country will still feel the effects of the turmoil around it, he said.

"It is impossible for Singapore to escape the turbulence of the typhoon," he warned, adding that Singapore had "fallen behind by about two to three years" in its quest for

higher standards of living. But Mr. Goh said Singapore's reputation among international investors had been enhanced because of the way it had handled the crisis.

The Ministry of Trade and Industry released a preliminary estimate Thursday of 5.6 percent growth in gross domestic product during the first three months of 1998, compared with a year earlier. The figure was in line with expectations.

But Mr. Lee said the GDP actually shrank 1.4 percent in the latest quarter from the fourth quarter of 1997.

For the year as a whole, he said, the ministry still expects Singapore to achieve the 2.5 percent to 4.5 percent growth forecast in February. But, he said, "We cannot be certain it will not be lower than this, if problems in the region worsen."

Singapore's economy grew 7.8 percent in 1997.

Thai Prices Rise in April

Reuters

BANGKOK — Inflation, fueled by soaring food prices and utility charges, surged in April to double digits for the first time since 1981, the Commerce Ministry said Friday.

The ministry said the consumer price index rose 10.1 percent in April from a year ago after having increased 9.5 percent in March. Inflation averaged 9.3 percent for the first four months of 1998.

The April index was 0.7 percent higher than in March.

The International Monetary Fund forecast in March that Thai inflation would acc-

celerate to 11.6 percent in 1998 from 5.6 percent in 1997.

The government of Prime Minister Chuan Leekpai has tried to slow the inflationary impacts of Thailand's decision to devalue its baht last July by delaying increases of basic food prices and utility charges.

The Commerce Ministry said consumers bore the brunt of higher utility charges in April as prices of state-run water, electricity and phone services rose in line with a policy proposed by the IMF of cutting government subsidies.

Toyota Will Shut New Zealand Unit

Agence France-Presse

TOKYO — Toyota Motor Corp. will close its assembly plant in New Zealand because of a decision by Wellington to abolish tariff duties on imported cars in 2000, company executives said Friday.

"We will close the plant by the end of October," said a spokeswoman for Toyota, Japan's largest automaker.

Toyota's move followed decisions by other Japanese automakers to close their plants in New Zealand. Nissan Motor Co., Mitsubishi Motors Corp. and Honda Motor Co. have said they would shut their plants. Toyota said its plant in New Zealand produced 7,619 units in 1997 and had 281 workers.

Check out the strategic alternatives to EURO

by setting up a corporation in Nevada

2 decades of Laughlin Associates, Inc. experience will assist you.

Info:
Partner Redaktion
GmbH, Im Bergle 21,
D-71351 Winnenden/
Germany
FAX: 07195 - 97 36 36

ASIAN CAPITAL HOLDINGS FUND
20 Boulevard Emmanuel Servais L-1355 Luxembourg
R.C. Luxembourg B-45 1st

DIVIDEND NOTICE
At the Annual General Meeting of Shareholders held on April 28, 1998 the proposal was approved to pay a dividend of USD 0.25 per share on or after the 5th May 1998 to shareholders of record at the close of business on April 28th 1998 and to holders of bearer shares upon presentation of coupons N° 1 at one of the following Paying Agents:

BANQUE DE GESTION EDMOND DE ROTHSCHILD LUXEMBOURG
Société Anonyme
20, Boulevard Emmanuel Servais
L-1355 LUXEMBOURG

From 29th April 1998 the shares will be quoted ex-dividend on Luxembourg Stock Exchange and Amsterdam Exchange.

For Asian Capital Holdings Fund
The Paying Agents

**THEY HAVE THE ANSWERS.
NOW WHAT'S THE QUESTION?**

Q&A WITH RIZ KHAN: EVERY WEEKNIGHT AT 21.30 CET.

Take a look at some of the leading figures who've appeared on Q&A with Riz Khan in the past year. You could've discussed the plight of Tibetan monks with the Dalai Lama, exchanged views with Kofi Annan on Iraq, or even questioned Nelson Mandela about South Africa's future. Every weeknight CNN International invites you to put your questions to guests like these live on TV. Tel: +1 404 525 6888 fax: +1 404 827 4056 e-mail: cnn@turner.com

<http://europe.cnn.com/q&a>



NASDAQ

Friday's 2 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press

NYSE

Friday's 2 P.M.

(Continued)

مكتبة من الأدب

E-mail address: moneyrep@iht.com

Quarterly Scoreboard: A Track Record of Investment Advice

A review of investment tips that appeared in The Money Report in the first quarter, and subsequent performance of the investments recommended. Prices quoted are from the trading day immediately preceding the publication date listed and in current currency. Analysts' affiliations are provided the first time they are mentioned.

Equities Company	Sector	Who	Prediction	Issue	Price then	Price Apr. 24	Comment	Bank	Most Hope Credit Suisse First Call	Bair acquisition	Feb. 28	65.10	71.30	Louis Vuitton Technologies Inc.	Telecom	Kevin Landa	Buy	Mar. 21	60.09	73.38
A.O. Edwards (AEG) U.S.	Brokerage	Gedney Boboff	Buy; acquisition	Feb. 28	42.25	45.00	Dollar	Electric utility	Rose Michel	Buy; undervalued; Cognac Securities price/earnings play	Jan. 31	11.25	13.20	Luz del Sol SA	Utility	Charles Barnes	Buy; efficient, good Jan. 31	3.05	2.94	
ABB Asca Brown Construction (ASCA) Sweden	Metals	Don Tuck	Buy; promises cultural revolution	Jan. 24	81.50	118.00	Corrections Corp.	Prison management	Nicolaus Machiavelli	Buy; human nature	Jan. 24	35.00	24.98	Lyon-Montgomery	Luxury goods	David Magnis	Buy; long held, good brand management	Jan. 10	948.00	1291.00
Adidas AG (ADS) France	Sporting goods	Morgan Stanley	Buy; spends wisely on development and promotion	Jan. 10	80.00	102.00	Creative Technology Ltd. (CETECH) Singapore	Computer equip.	Eric Wan Chin	Buy; world leader in its field	Feb. 14	35.50	34.10	Maybelline Corp.	Gaming	Alan Dragovic	Avoid; culture to high-risk products	Jan. 3	2.59	2.67
Adidas Systems Software Inc. (ADS) U.S.	Interactive Investments Technology Value Strategies	Kenneth Lunde	Buy; bought of Marconi	Mar. 21	43.25	50.75	Credit Suisse	Bank	Lehman Brothers	Avoid; overvalued	Mar. 14	270.00	327.50	Mayway Inc. (MAYW) Malaysia	Telecom	Peter Karpf	Buy; poor liquidity	Jan. 3	1115.00	1252.00
Advanced Micro Semiconductors Devices Inc. (AMD) U.S.	Microprocessor	Michael Rady	Buy; all-around corporate won't last	Mar. 14	21.04	26.15	Deutsche Corp. (DEUT) Singapore	Automobiles	Siemens	Buy; good brand identity	Jan. 10	4240.00	4000.00	Maxim Integrated Products (MAXIM) U.S.	Computer chips	Gill Cogan	Buy; has good analog technology	Mar. 21	36.00	38.44
Aeroporti di Roma SpA (ADR) Italy	Airports	Don Chapman	Buy; entrepreneurial	Mar. 28	3170.00	2500.00	Development Bank of Singapore Ltd. (DBS) Singapore	Bank	Eric Wan Chin	Buy; too cheap to pass up	Feb. 14	7.43	7.80	MCI Communications Corp. (MCI) U.S.	Telecom	Catherine Green	Buy; misunderstood and overvalued	Jan. 17	43.94	51.15
Aldesa SA (ALD) Spain	Aerospace	Don Chapman	Buy; entrepreneurs	Mar. 28	5800.00	5450.00	Denorit Coffee	Food service	Shane Able	Buy; undervalued	Jan. 31	4100.00	3800.00	Microsoft Corp. (MSFT) U.S.	Software	Sur Yu	Buy; based on ground control	Jan. 24	69.13	82.13
AlliedSignal Inc. (ADS) Germany	Components	Don Tuck	Buy; promises cultural revolution	Jan. 24	36.50	44.25	DSM NV (DSMA) Netherlands	Chemicals	Golden Sachs & Assoc.	Buy; underperforming the market	Mar. 14	216.00	204.80	Mercede-Benz (MBK) U.S.	Automobiles	Nicolaus Machiavelli	Buy; 3/4 times earnings	Mar. 20	22.00	22.00
Americana.com Inc. (AMZN) U.S.	Online retail	Liz Buyer	Buy; a business model that works	Mar. 21	84.00	84.20	E-Trade Group Inc. (ETAT) U.S.	Brokerage	John Chen	Buy; acquisition玩	Feb. 26	26.75	23.38	Non-American Utility	Utility	Caroline Green	Buy; undervalued and undervalued	Jan. 17	20.03	20.75
American Home Drugs Products Corp. (AHP) U.S.	Drugs	Michael Murphy	Buy; huge legal liabilities	Mar. 14	92.25	89.50	Exxon Corp. (XOM) U.S.	Utility	Robie Michel	Buy; undervalued	Jan. 31	0.79	0.90	Omega Inc. (OMA) U.S.	Auto repair	Joseph Comell	Avoid; overvalued	Jan. 24	16.50	18.50
Ameritech Corp. (ATT) U.S.	Telecom	Joseph Cornell	Buy; may spin off network and keep marketing	Jan. 24	43.72	43.30	Firstar Corp. Inc. (FSTL) U.S.	Electronics	Michael Murphy	Buy; has good digital technology	Mar. 21	5.68	9.98	Parke-Davis (PDK) U.S.	Pharmaceuticals	Sur Yu	Buy; based on ground control	Jan. 24	81.55	92.31
Amstrad Holdings Corp. (ADNOV) Italy	Brokerage	Jeffrey Chen	Buy; acquisition candidate	Feb. 28	27.53	27.50	Firstar Corp. (FSTL) U.S.	Bank	Tom Frascati	Buy; acquisition candidate at a premium	Feb. 28	41.81	39.38	Patheon (PATHE) Japan	Real estate	Russell Platt	Buy; beaten down but ready to rise	Feb. 21	1340.00	1254.00
Arts Group PLC Software Britain	Software	Joseph Merrik	Market investment will hit profit	Jan. 24	57.50	71.50	Firstline Co. (FLN) Japan	Apparel	Matthew Shatto	Buy; will benefit from aging population Management Co.	Mar. 7	2650.00	2350.00	National Westminster Bank PLC (NWBC) Britain	Bank	Lehman Brothers	Avoid; overvalued	Mar. 14	1053.00	1140.00
AO Lukoil Holding + ADRA (LUKOY) Russia	Oil	John-Paul Smith	Avoid; poor outlook for oil prices	Mar. 14	73.00	89.25	Ford Motor Co. (F) U.S.	Automobiles	Joseph Comell	Buy; cheap, even when Associates involved	Jan. 24	31.00	45.94	Neftex SA (NEFT) Switzerland	Food	Yves Cocher	Buy; superior fundamentals undervalued	Jan. 10	2187.00	2667.00
AO Tabet - OI (TNT) Russia	Oil	John-Paul Smith	Avoid; poor outdoor for oil prices	Mar. 14	22.00	21.35	Galaxy AS (GALX) Czech Republic	Drugs	Watch Keun Ing String	Buy; new products strong store image	Jan. 3	1891.00	1865.00	Merck KGaA (MK) Germany	Chemical products	Marcus Aurelius	Buy; dull worthy enduring Stock	Mar. 7	45.00	55.00
Applied Micro Circuits Corp. (AMCC) U.S.	Computer chips	Kevin Landa	Buy; not good technology	Mar. 21	23.75	27.13	Galaxy Technology Ltd. (GALTF) U.S.	Computer chips	Gill Cogan	Buy; good analog technology	Mar. 21	25.38	30.75	Metaphase Communications Corp. (METAC) U.S.	Internet products	Sur Yu	Buy; continued revolution	Jan. 24	17.81	25.68
AT&T Corp. (AT&T) U.S.	Telecom	Catherine Green	Buy; underpriced and undervalued	Jan. 17	65.00	62.31	General Electric Co. (GE) U.S.	Electrical equip.	Benjamin Franklin	Buy; Jack Welch has great change	Jan. 24	74.00	83.00	Metz Corp. (METZ) Australia	Media	Sur Yu	Buy less a buy more	Jan. 24	81.55	92.31
Bankers Trust Europe (CIBER) Italy	Bank	Bryan Crossley	Buy; looking for a fee Don-Mario holding partner	Feb. 28	519.00	565.00	General Motors (GM) U.S.	Automobiles	Sur Yu	Buy; promises cultural revolution	Jan. 24	10.30	11.25	Mitsui Real Estate (MRE) Japan	Real estate	Russell Platt	Buy; beaten down but ready to rise	Feb. 21	1340.00	1254.00
Bankinter Interbank SpA (BANK) Spain	Bank	Lehman Brothers	Avoid; overvalued	Mar. 14	2225.00	1915.00	Genesys Co. (GENS) Mexico	Consumer goods	Frederick Macrae	Buy; Macrae expensive now has an internal resource	Jan. 24	20.00	20.00	National Westminster Bank PLC (NWBC) Britain	Bank	Lehman Brothers	Avoid; overvalued	Mar. 14	1053.00	1140.00
Bangkok Bank (BBL) Thailand	Bank	Jim Mellon	Buy; good management	Mar. 14	97.00	70.00	Global Group NV (AGC) Austria	Consumer goods	Carsten Magnussen	Buy; Lehmann holds good brand management	Jan. 10	82.00	94.00	Neftex SA (NEFT) Switzerland	Food	Yves Cocher	Buy; superior fundamentals undervalued	Jan. 10	2187.00	2667.00
Bankitalia - Banca Commerciale Italiana SpA (CIBER) Italy	Bank	John-Paul Smith	Avoid; poor outdoor for oil prices	Mar. 14	22.00	21.35	Goldman Sachs (GS) U.S.	Financial services	Frederick Macrae	Buy; Macrae expensive now has an internal resource	Jan. 24	10.30	11.25	Merck KGaA (MK) Germany	Chemical products	Sur Yu	Buy less a buy more	Jan. 24	81.55	92.31
Barclays Bank (BARC) U.K.	Bank	John-Paul Smith	Avoid; poor outdoor for oil prices	Mar. 14	22.00	21.35	Group Censo SA (CENS) Mexico	Consumer goods	Rob Chapman	Buy; the best-run company in Mexico	Mar. 28	53.70	52.70	Mitsui Kasei (MK) Japan	Industrial equip.	Tetsuo Furukawa	Buy; new product Salomon Smith Barney	Mar. 7	1417.00	1580.00
Bear Stearns & Co. (BSAC) U.S.	Brokerage	Barton Greenwald	Buy; acquisition candidate	Feb. 28	45.00	57.50	Groupama NV (AGC) Austria	Consumer goods	Frederick Macrae	Buy; Lehmann holds good brand management	Jan. 10	82.00	94.00	Mobilex Corp. (MOBEX) France	Telecom	Sur Yu	Buy; 3/4 year old	Jan. 24	200.50	359.00
Bayerische Hypotheken- u. Wechselbank (BHW) Germany	Brokerage	Alain Dragovic	Buy; recession-proof	Jan. 5	9.00	9.25	Henderson Real Estate Development Co. (HREC) Hong Kong	Real estate	Frederick Macrae	Buy; low-end housing is recession-proof	Feb. 14	33.40	35.20	Michael Murphy	Buy; has good digital technology	Mar. 14	299.00	314.00		
Batrakos Sports (BTS) Malaysia	Gaming	Sur Yu	Buy; recession-proof	Jan. 5	9.00	9.25	Hermes International SA (PHM) France	Apparel	Carsten Magnussen	Buy; Lehmann holds good brand management	Jan. 10	422.00	470.00	Monex Corp. (MONEX) Japan	Brokerage	Sur Yu	Buy; 3/4 year old	Jan. 24	200.50	359.00
Baskerville Hathaway Inc. (BHKA) U.S.	Investments	Nicolas Marchenval	Buy; Warren Buffet is a Prince	Jan. 24	4700.00	6800.00	Hewlett-Packard Computer Co. (HPQ) U.S.	Computer chips	Keven Landa	Buy	Mar. 21	12.21	74.00	Monte Carlo (MC) France	Brokerage	Sur Yu	Buy; acquisition candidate	Feb. 28	41.00	45.75
Baury Shop International PLC (BOS) Britain	Cosmetics	Gary Hynes	Buy; touch with the times	Jan. 10	140.00	116.50	Honda Motor Co. (HMC) U.S.	Automobiles	Sur Yu	Buy; uses force of momentum	Jan. 24	4770.00	4770.00	Motorola Inc. (MOT) U.S.	Indust. materials	Yves Cocher	Buy; strong but growing	Mar. 14	15.00	12.25
Budget SpA (BBL) Italy	Jewelry	Carlo Magnussen	Buy; Lehmann holds good brand management	Jan. 10	840.00	1080.00	Hong Kong Telephone Co. (HKT) Hong Kong	Telecommunications	Ronald Ferguson	Buy; will grow through acquisition	Feb. 14	16.00	15.40	Peoplesoft Inc. (PSFT) U.S.	Software	Kevin Landa	Buy; acquisition candidate	Mar. 21	45.50	47.19
Campbell Soup Co. (CPB) U.S.	Food	Yves Cocher	Buy; good brand	Jan. 10	50.72	49.95	HSBC Holdings Financial Inc. (HFB) Hong Kong	Financial services	Sur Yu	Buy; gateway to China	Jan. 24	38.10	51.70	Pepco Inc. (PEPCO) U.S.	Utilities	Yves Cocher	Buy; strong market position	Mar. 14	34.75	43.63
Carlsberg Brewery Malaysia (CBM) Malaysia	Beverages	Donna Amato	Buy; long-term appreciation	Feb. 14	13.40	13.30	Huawei International Co. (HIC) U.S.	Industrial equip.	Joseph Comell	Buy; industry leader	Jan. 24	12.85	18.31	Philips Electronics NV (PNL) U.S.	Electronics	Michael Murphy	Buy; has good digital technology	Mar. 21	149.00	180.30
Catena Compania de Rio de Janeiro (CEBRAZ) Brazil	Utility	Paulo Pinto	Buy; privatization play	Jan. 31	0.81	1.00	Hyundai Motor Co. (HMC) Korea	Automobiles	Sur Yu	Buy; uses force of momentum	Jan. 24	4770.00	4770.00	Plus AB (PAB) Sweden	R&B	Russell Platt	Buy	Feb. 21		

Advertisement

INTERNATIONAL FUNDS

May 1, 1998

Table on Internet: <http://www.iht.com/IHT/FUN/funds.html>

For information on how to list your fund, fax Katy Houri at (33-1) 41 43 92 12 or E-mail : funds@iht.com
To receive free daily quotations for your funds by E-mail : subscribe at e-funds@iht.com

Ignore the Bump

JAMES G. LEECHES 24

A Pan-Portugal Mapao

THE MONEY REPORT

Quarterly Scoreboard

Continued from Page 15

Singapore Technology Manufacturing Ltd. (SGT) Singapore	Defense	Rosetta Corp.	Buy marked up 20%	Feb 14 143 142	Suntourne Realty Real estate & Development	Russell Platt	Buy' beaten down but ready to rise	Feb 21 239.20 659.00	Unilever PLC (U.K.) British	Consumer goods	Vive Cochze	Buy sustainable competitive advantage	Jan 10 500.00 620.00	VAS Electrabel/Belgian	Industrial equip.	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 1947.00 1220.00
Side Resigned Scoring goods	Leather	Morgan Stanley Dean Witter	Buy' beaten down 2nd consecutive	Jan 10 115.50 117.00	Suntourne Hotel REIT	Dana Pine	Buy' beaten down 2nd consecutive	Feb 21 15.50 15.88	Unique International NV (D.R.C.)	Services	Ron Chapman	Buy	Mar 28 56.50 64.50	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 46.00 51.31
St. Gobain Ready REIT Corp. (SGRC) U.S.	Real Estate	Dunhill Real Estate Investors Fund	Buy' beaten down 2nd consecutive	Feb 21 22.50 23.58	Surepathetics Oil Co. Co.	John-Paul Smith	Avoid poor outlook for prices	Mar 14 2.00 7.00	United Asset Management Corp. (UAM) U.S.	Fund management	Larry Sondie	Franklin Mutual Fund acquisition candidate at high premium	Feb. 28 25.55 25.55	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 125.50 118.00
Sohu PLC China	Consumer Goods & Services	Citibank Secur. & Assoc. Co.	Buy' beaten down 2nd consecutive	Mar 14 264.00 272.00	Taipei PLC Gaming	Alan Dragone	Buy' recession-proof	Jan 3 8.45 8.50	United Engineers Construction Holdings Inc. (UECH) U.S.	Domestic	David Armstrong	Buy' undervalued	Feb. 14 4.20 5.20	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 113 1.50
Sony Corp. Entertainment	Entertainment	Michael Murphy	Buy' beaten down 2nd consecutive	Mar 21 1100.00 1120.00	TIA PLC REIT	Mark Thomas Scott	Buy' beaten down 2nd consecutive	Feb 21 100.20 97.25	United Overseas Bank (UOB) Singapore	Bank	Ean Wan Chin	Buy' too cheap to pass up	Feb. 14 8.00 8.25	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 270.00 350.00
SPT Telecom AB Telecom	Telecommunications	Albert Oestreich	Buy' beaten down 2nd consecutive	Jan 3 362.00 400.00	Thermo Electron Environmental equip.	Benjamin Franklin (Roger Noone)	Buy' beaten down 2nd consecutive	Jan 24 39.44 39.75	Up Inc. (USN) Japan	Education	Terence Jimbo	Buy' growing in a strong industry	Mar. 7 420.00 360.00	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy reduced price/cost play	Mar 21 1650.00 1800.00
Starwood Hotels & Resorts Worldwide Trust (SHW) U.S.	Hotels & Restaurants	Craig Rabb	Buy' beaten down 2nd consecutive	Jan 31 36.50 40.13	Thomco Industries (TMI) U.S.	Catherine Green	Buy' beaten down and undervalued	Jan 17 36.50 36.60	USWest (USW) U.S.	Utility	Catherine Green	Buy' beaten down and undervalued	Jan 17 36.50 36.60	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy' beaten down and undervalued	Mar 21 6.05 5.45
Step Co. Education	Education	Tochika Jiro	Buy' beaten down 2nd consecutive	Mar 7 1030.00 900.00	UAL Corp. (UAL) U.S.	Michael Murphy	Short overpriced	Mar 14 98.75 98.00	YTL Corp. (YTL) Malaysia	Utility	David Armstrong	Buy' beaten down and undervalued	Feb. 14 6.05 5.45	VAS Electrabel/Belgian	Austrian	John Baker-Greenhorne	Buy' beaten down and undervalued	Mar 21 1947.00 1220.00

Ignore the Bumps and Enjoy the Ride

OUR STORY so far: The Dow Jones industrial average triples (including dividends) in five years. Newsweek puts a muscular bull on its cover. The Economist of April 18 counters with a picture of a balloon, with the headline, "America's Bubble Economy," and the message that the U.S. stock market is headed for a crash, imminently.

The Dow Jones industrial average falls 103 points from April 20 to 24 — only the second weekly decline since Jan. 9.

Then, on Monday, after news that the U.S. Federal Reserve Board might raise interest rates, the Dow drops 147 points.

Looks like trouble, and the newspapers are full of stories about analysts predicting a slide.

But later in the week, the Dow bounces back by more than 200 points after reports that economic growth is strong and inflation nowhere in sight — except perhaps in the stock market itself.

So what does it all mean to investors?

Nothing at all.

All the blather about the stock market being too high (or too low), about bulls and bears, about the latest gross domestic product and consumer price index — it is extraneous noise. Certainly, you should be alert to specific opportunities in individual stocks, and the economy and inflation sometimes influence the chances of, say, automobile stocks or bank stocks that might be depressed.

But what investors need to remember about the market are the simple things:

In the short run, stocks are wildly volatile, but in the long run they are no more risky than Treasury bonds and money-market funds. If you need your money in the next seven years, you have no business putting a significant portion of your wealth in the stock market. If you can keep your money working for the long-term, it makes sense to be in with both feet — as long as you can still sleep at night.

On page 27 of the new edition of "Stocks for the Long Run," Jeremy Siegel of the Wharton School at the University of Pennsylvania prints the single chart you need to understand to succeed in the stock market. It shows this:

1. From 1802 to 1997, the best one-year after-inflation return for stocks was 66.6 percent. The worst was minus-38.6 percent.

2. But if you look at every 20-year

holding period, the best average real annual return for stocks was 12.6 percent, the worst, 1.0 percent.

In other words, never in American history has an investor who kept money in a diversified basket of stocks (the Standard & Poor's 500-stock index or its equivalent) for at least 20 years lost a dime — even to inflation.

Mr. Siegel shows bondholders have not been so lucky. The worst 20-year period for bonds showed an average inflation-adjusted annual loss of 3.1 per-

cent; for Treasury bills, a loss of 3.0 percent.

Here is another way to look at the results: For one-year periods from 1871 to 1996, stocks outperformed bonds 64 percent of the time. But for 10-year periods, they beat bonds 82 percent of the time; for 20-year periods, 94 percent; for 30-year periods, 100 percent.

So, it is nearly a certainty that, if you can afford to keep your money at work for more than 20 years, you will do best in the stock market. At 10 years, the odds are not bad either.

FROM THESE time-tested numbers, we can draw these conclusions:

1. Stay invested in stocks for as long as you possibly can. This is the same thing as saying: Start early.

If you are in your 20s or 30s, consider yourself lucky. Keep \$1,000 in the stock market for 40 years, returning 11 percent annually (the average since 1926, according to Ibbotson Associates Inc.), and you will have \$72,000. Even with inflation of 3.6 percent annually (about triple the current rate), the buying power of that \$72,000 will be \$18,000 in today's dollars.

2. Keep a diversified portfolio of individual stocks or own broad-based mutual funds so you can be sure of doing roughly as well as the market as a whole.

3. Make sure you start moving from stocks into bonds or cash when you are in sight of retirement — or whenever you need the money.

For instance, you might hold 100 percent of your investments in stocks at age 50 if you are going to retire at 65, but by 55 you should have shifted 20 percent or so into bonds and cash, and by 60 you should have shifted at least half. The exact proportions are a personal decision, but do not have all your money in

the market just before you retire. The market can, and does, tank.

That brings me to another reason you should pay no attention to all the talk from market bulls and bears: No one can successfully time the market — that is, predict its next move. Not even the smart folks at The Economist.

As Mr. Siegel writes: "A number of 'market timers' boasted how they tanked all their money out of stocks before the 1987 stock crash. But many did not get back into the market until it had already passed its previous highs."

After you get out, you have to make another impossible decision: When to get back in.

Mr. Siegel calculated how well long-term investors did after getting into the market at the worst possible times — just as it was peaking before a historic bear market. He found that if you had put \$100 into stocks in August 1929, the high before the crash, and if you had kept \$100 in the market for 30 years, you would accumulate \$565. A brilliant seer who took his money out of stocks in August 1929 and put it all in bonds would have amassed only \$141.

In fact, on average, in the 30 years after the six greatest market peaks since 1901, a \$100 investment in stocks rose to \$510; in bonds, \$177; in T-bills, \$125.

If you are not in the stock market, this is good a time as any to get started — despite the headline on the cover of The Economist. If you are already in for the long haul, stay there.

What stocks to buy? I have long been a fan of the portfolios listed in the weekly edition of the Value Line Investment Survey.

The latest long-term growth list includes Adobe Systems Inc., software; AirTouch Communications Inc., telecommunications; Applebee's International Inc., restaurants; Avery Dennison Corp., chemicals; Cincinnati Milacron Inc., machinery; Fannie Mae, financial; Genentech Inc., drugs; Genzyme Corp., drugs; International Business Machines Corp., computers; Outback Steakhouse, restaurants; State Street Corp., banking; Stolt-Nielsen Inc., maritime; Travelers Group, financial; Tyco International Ltd., diversified; United Dominion Industries, machinery; Wendy's International Inc., restaurants; and WorldCom Inc., telecommunications.

In fact, on average, in the 30 years after the six greatest market peaks since 1901, a \$100 investment in stocks rose to \$510; in bonds, \$177; in T-bills, \$125.

FOR FURTHER INFORMATION about investing according to Islamic principles, see the Sept. 30-31, 1997 issue of The Money Report on the International Herald Tribune's Web site at www.iht.com/IHT/MONEY/093097/for.htm.

For information about the Guinees-Hong Kong & China Fund, call 44 1481 712 176. American investors can call 44 1481 0039, or fax free within the United States, 1 800 915 5665.

Washington Post Service

BRIEFCASE

After the Deluge, Surprises in Asia

Incredible as it may seem, there is a stock in Southeast Asia that has nearly doubled since the region's financial crisis began last year.

Li & Fung Ltd., one of Asia's largest trading companies and a specialist in finding manufacturers in Asia for American and European companies, has a market value of \$55 billion, now at about \$45 and estimated to rise to \$75; and Xilinx Inc., now at \$45.75 and pegged at \$55 in a year.

Elsewhere, the firm has upgraded Intel Corp. to a strong buy over the last two years after a

slump that started in the late 1980s. The fund's managers foresee strong demand for student housing because the population pursuing higher education has risen fivefold since the 1960s to 1 million students, far outstripping the supply of housing owned by universities.

The managers anticipate a net annual return of 9 percent to 11 percent to be paid to investors quarterly, plus any capital gains (or losses) on sales of properties.

STUDENT PROPERTY IN ASIA

them on assured shorthold tenancy agreements. These allow landlords flexibility in evicting deadbeats.

Property purchases will

follow the tenets of Islamic Sharia law, which forbids transactions involving interest on debt. To accommodate Sharia structures, the sale price of a property is typically raised to a level that approximates the value of principal and interest that would be paid over the life of a mortgage. When structured this way, monthly repayments are entirely of principal.

Elsewhere, the firm has up-

graded Intel Corp. to a strong buy, raising its 12-month target on the stock to \$110 from the current \$80. Intel, they said, is inexpensive, compared with other industrial stocks, and they expect the market to rate it more highly as computer users migrate to machines with Pentium II chips.

Another semiconductor

strong buy is Siliconware

Precision Industries Ltd., a Taiwan-listed company that has a passel of subsidiaries and affiliates whose earnings

are expected to grow and benefit the parent. Morgan analysts reckon that the parent's stock will be trading at \$10.00 a share in 1998.

STUDENT PROPERTY IN ASIA

STUDENT PROPERTY IN ASIA

STUDENT PROPERTY IN ASIA</

Europe and the Euro



1951

Six countries create the European Coal and Steel Community, first proposed by the French foreign minister, Robert Schuman, above.

1957

Treaty of Rome between France, Germany, Italy and the Benelux countries establishes the European Economic Community, and the atomic energy body, Euratom.

1973

Britain, Ireland and Denmark join the EEC. Norwegian voters reject membership.

1981

Greece admitted to the EEC.



1986

The signing of the Single European Act establishes the goal of a single market in Europe by the end of 1992. Spain and Portugal enter the community.



1992

The Maastricht treaty introduces European citizenship, the goal of Economic and Monetary Union (EMU) and a central bank.



1995

The European Union, rechristened at Maastricht, adds Austria, Sweden and Finland, bringing EU membership to fifteen.



May 2, 1998

Designation of initial participants in the euro, fixing of inter-European exchange rates, choice of central bank chief.

Jan. 1, 1999

Eleven countries - Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain - adopt the euro. Banks and stock exchanges begin using euros.



Jan. 1, 2002

Euro coins and bank notes become legal tender. Local currencies will no longer be accepted after July 1, 2002.

INSIDE

- Experts cautions on economic growth without structural changes. Page 20
- What is the worst-case scenario facing the euro? Page 20
- For the European Central Bank, a question of credibility. Page 21
- Governments will begin a media blitz to sell the euro to the public. Page 21
- Officials move to lock the euro in place. Page 21
- Historically speaking, the currency union has come far very fast. Page 22
- Companies have been slow to get ready. Page 22
- Eleven different tax systems could be problematic. Page 23

Single Currency Marks Triumph of Political Will

But Public's Enthusiasm Is Muted by Jobs Crisis

By John Vinocur

PARIS — The coming of Europe's monetary union is a triumph of political will and a technical feat of remarkable ingenuity. It also involves an act of economic abstinen^ce on an almost biblical scale — and there is the on-going rub.

As much genius and inspired political stubbornness it has taken to get the single currency off the ground, no one has found the uplifting formula to turn the event into a source of enthusiasm and palpable prospects for millions of Europeans.

The reason is that preparing for the euro has meant no visible gain in creating new jobs. However great the accomplishment, no practical link exists in public opinion between the arrival of Economic and Monetary Union and a new prosperity glowing just around the corner from the debris of Europe's 18 million unemployed. The hard fact is that in Germany, France and Italy, the abstinen^ce needed to create low inflation, diminished debt, and reasonable deficits for EMU has not been paired so far with the labor market liberalization and more flexible social protection rules

that are described by the International Monetary Fund or the Bundesbank as the wedge that could break the cycle of the country's joblessness.

In reality, the euro's run-up is associated in working people's minds throughout Continental Europe with hard economic times, a period when jobs died, and when the economic austerity required to meet the euro's qualifying standards — mortification rather than abstinen^ce, in many cases — became a justification for misery.

Since the Stability and Growth Pact that enforces abstinen^ce remains in perpetual effect beyond the creation of the single currency, and since the loosening of the labor market continues mostly as a subject of debate or imprecise statements of intention in Continental Europe, all the signs of European growth now evident, and all the advantages of having a single money from Portugal to the border with Poland, don't automatically signal the birth of a new era of confidence.

There are no standing ovations for the euro in the streets of Leverkusen or St. Etienne, where everyone knows that the unemployment rate in Germany and France was over 12 percent in March. Instead, Europe's achievement in moving forward with a epochal project for the

Continued on Page 20

Countdown Starts for New Money

By Barry James

BRUSSELS — A decades-long vision becomes reality Saturday with the formal nomination of 11 countries to join Europe's monetary union embracing 290 million Europeans in a single market with the same money, the euro.

Indeed, even on the level of rhetoric, the community comes up short in not having a leader who can create a sense of promise and possibility beyond the discomfort of many of the enterprise's details.

In spite of his victory in Northern Ireland, Tony Blair, as prime minister of a Britain that has still not made up its mind on its commitment to Europe, does not have enough legitimacy as a European to fill the project with optimistic, human content. President Jacques Chirac of France must deal with the contradiction of having been disavowed in a legislative election he called himself, and having his government follow economic policies he cannot endorse. Chancellor Helmut Kohl, the great motor of EMU's development, is confronted by the failure of his own grand

Even before the currency goes into circulation in 2002, ordinary citizens will be able to use the euro from Jan. 1, 1999, in all scriptural transactions. That includes writing checks, using credit and charge cards, buying stocks and bonds and, in some countries, paying taxes. The total cost of introducing the euro is estimated at 1 to 1.5 percent of the 11 nations' gross domestic product, of which three quarters will be borne by industry, one quarter by banks and one quarter by governments and central banks, including the cost of producing

new notes and coins. Once the currency is in place, savings on transaction costs will amount to about 0.25 percent of GDP, in addition to efficiency gains, according to an estimate by the ABN-AMRO bank in the Netherlands.

The European Commission, the executive body of the European Union, estimates that maintaining parallel sets of national currencies costs the European Union one percent of GDP each year. In addition, it says that exchange rate uncertainty, which will be eliminated by the single currency, has had a significant and unquantifiable indirect cost because it has discouraged companies from pursuing trading and investment opportunities.

The GDP for the 11 countries in the euro zone — Germany, France, Italy, Belgium, the Netherlands, Luxembourg, Austria, Finland, Ireland, Spain and Portugal — was \$6.8 trillion in 1995. Germany's GDP was the largest with \$2.41 trillion, followed by France with \$1.54 trillion, and Italy with \$1.09 trillion.

Central banks and mints in each country have the responsibility to protect the new currency against counterfeiting and theft. For security reasons, governments are not divulging details on how they intend to transport and store the cash.

Several countries, however, reportedly are considering plans to store the money on tightly guarded military bases and deliver them to tens of thousands of banks and retailers on the backs of army trucks in the days leading up to start of business in January 2002.

The huge hydraulic presses at the French mint in Pessac are ready to start churning out the new coins as soon as France's participation in the currency zone is officially confirmed. The mint has already stopped production of franc

Continued on Page 23

Will Consumers Win and Workers Lose?

Prices Are Likely to Go Down, but Unions Fear Wages Will Fall Too

By Tom Buerkle

LONDON — Touted as the culmination of Europe's common market, the single currency promises to do more to encourage competition across European borders than any piece of single-market legislation. But the question of who will benefit — consumers or producers, workers or their corporate bosses — is a politically loaded question.

From Lisbon to Helsinki, Stuttgart to Turin, monetary union will allow consumers to compare directly the prices of everything from automobiles to aspirins as national currencies vanish and everyone buys and sells in euro. With prices of virtually identical goods often varying today by 20 to 30 percent or more between EU countries, most analysts expect consumers to reap benefits as prices converge toward the lower levels, especially for big-ticket items like cars or appliances.

"The trend is going to be, on average, toward a lower level," said Vicki Pryce, chief economist at KPMG Management Consultants. "Some companies will no longer be profitable."

In the job market, the situation is far from clear. Many employers say they expect the effect of the euro will be to boost wages on average toward the higher levels prevailing in Europe. But unions fear the euro will be a powerful tool for business at a time of double-digit unemployment, enabling management to threaten to steer jobs and investment to low-wage areas unless their

better-paid workers make concessions.

"Single market, single money, single wage," said Peter Coldrick, an economist for the European Trades Union Confederation. "It's not going to be that simple, but the pressure is going to be in that direction."

The greater transparency in wages "will not make it easy for our unions to negotiate increases," said Bernadette Tesch, who heads the Brussels office of Eurolief, the federation of European unions covering banking, insurance and other service industries.

From 1985 to 1993, the variation in the price of nearly identical consumer goods between high- and low-cost EU countries declined to just under 20 percent on average from 27 percent, while the variation in prices of similar services declined to 28 percent from 35 percent, according to the European Commission, the EU executive body.

John Sharpe, head of household and personal care products at Unilever, said the company had seen stagnant or falling prices for laundry detergent and other products in hard-currency countries like Germany, Austria and Belgium in recent years, trends that were only partly offset by rises in Spain, Italy and Britain. "The markets we compete in are very competitive," Mr. Sharpe said. "There's very little room to put margins up."

Still, many sharp differences persist. Translated into European currency units, today's prototype of the euro, a McDonald's Big Mac costs 1.85 Ecu in Greece, 2.55 Ecu in Germany and 3.50 Ecu in Denmark. Cellular telephone charges for low-volume consumers in

Germany and Greece are more than five times higher than the 0.50 Ecu charged in Finland, Europe's low-cost market. Prices of most automobiles vary by more than 20 percent across the EU.

Mindful of the gaps, EU finance ministers agreed in March to monitor the prices of a range of goods and services in a bid to pressure industry for more uniform, and lower, prices. "If competition is really working, you should have a convergence toward the lowest" price levels, said Betty Olivi, a spokeswoman for the EU single market commissioner, Mario Monti.

Several factors could mitigate that tendency, though. Package sizes and product preferences vary from country to country. In pharmaceuticals, for instance, national regulations on pricing and reimbursement by socialized health systems result in identical drugs being sold in different package sizes and at different prices.

"We don't think there's going to be a complete upheaval in the pricing system," said Alex Ferguson, finance director at Zambon Group, an Italian drug maker. "Companies themselves will have an interest to maintain price differentials." And for many inexpensive consumer goods, prices could edge up through rounding. The Big Mac that retails in Brussels for 109 Belgian francs (about \$3) would convert to 2.76 euros at the most likely conversion rate, but as McDonald's rounds most of its prices in Europe, that could become 2.75 or 2.80. The restaurant chain hasn't adopted a

Continued on Page 20

لـ ١٥٠ من العمل



software solutions that watch out for your bottom line can be found on our Web site at <http://www.sap.com>.

Or call your local SAP office: Austria (1) 2 88 22 Belgium (02) 7 78 05 11 Croatia (01) 6 12 14 60 Czech Republic (02) 6 51 97 01 Denmark (43) 26 39 00 Finland (09) 6 13 30 30 France (1) 55 30 20 00 Germany (01 80) 5 34 24 24 Greece (1) 9 2 0 2 42 Hungary (1) 6 57 83 33 Italy (039) 6 87 91 Netherlands (08 00) 0 2 8 0 5 2 Norway (67) 5 9 4 0 Poland (02) 6 0 6 0 6 0 Romania (01) 2 12 59 29 Russia/CLS (095) 7 35 98 00 Spain + Portugal (01) 4 56 72 00 Sweden (08) 80 66 80 Switzerland (032) 4 4 7 11 Turkey (02 16) 3 91 84 62 U.S. (018) 4 8 29 40

Are you SURE

HSBC Holdings

Credit Agricole

Manhattan Corp.

BNP Paribas

Bank of America

Union Bank of Switzerland

Fuji Bank

Daishi-ichi Nippon EG Bank

<http://www.Japan.com>

Are you sure you know the world's top fifty banks*?

HSBC Holdings.
London, United Kingdom.

Sanwa Bank.
Osaka, Japan.

Crédit Suisse Group.
Zürich, Switzerland.

Lloyds TSB Group.
London, United Kingdom.

First Union Corp.
Charlotte, USA.

Bank of Tokyo - Mitsubishi.
Tokyo, Japan.

Sakura Bank.
Tokyo, Japan.

JP Morgan & Co.
New York, USA.

Long-Term Credit Bank Of Japan.
Tokyo, Japan.

Crédit Lyonnais.
Paris, France.

Crédit Agricole.
Paris, France.

Bank of China.
Beijing, China.

Rabobank Nederland.
Utrecht, Netherlands.

Tokai Bank.
Nagoya, Japan.

ING Bank.
Amsterdam, Netherlands.

Chase Manhattan Corp.
New York, USA.

NationsBank.
Charlotte, USA.

Industrial & Commercial Bank of China.
Beijing, China.

Westdeutsche Landesbank Girozentrale.
Düsseldorf, Germany.

Abbey National.
London, United Kingdom.

Citicorp.
New York, USA.

Dexia

DEXIA

Deutsche Bank.
Frankfurt, Germany.

BankAmerica Corp.
San Francisco, USA.

Dexia, the European banking group created by the merger of Crédit local de France and Crédit Communal de Belgique, reported total assets of 185 billion euros

at the end of 1997. Dexia is the European leader in the financing of public service facilities and is also active in commercial banking and asset management.

Bayerische Vereinsbank.
Munich, Germany.

ABN AMRO Bank.
Amsterdam, Netherlands.

Barclays Bank.
London, United Kingdom.

Compagnie Financière de Paribas.
Paris, France.

Commerzbank.
Frankfurt, Germany.

Banco Santander.
Santander, Spain.

Sumitomo Bank.
Osaka, Japan.

Industrial Bank of Japan.
Tokyo, Japan.

Société Générale.
Paris, France.

Banc One Corp.
Columbus, USA.

Royal Bank of Canada.
Montreal, Quebec, Canada.

Union Bank of Switzerland.
Zürich, Switzerland.

Groupe Caisse d'Epargne.
Paris, France.

Swiss Bank Corp.
Basle, Switzerland.

Crédit Mutuel.
Paris, France.

Carioplo.
Milan, Italy.

Fuji Bank.
Tokyo, Japan.

National Westminster Bank.
London, United Kingdom.

Dresdner Bank.
Frankfurt, Germany.

National Australia Bank.
Melbourne, Australia.

Wells Fargo & Co.
San Francisco, USA.

Dai-Ichi Kangyo Bank.
Tokyo, Japan.

Banque Nationale de Paris.
Paris, France.

First Chicago NBD Corporation.
Chicago, USA.

Asahi Bank.
Tokyo, Japan.

Canadian Imperial Bank Of Commerce.
Toronto, Ontario, Canada.

<http://www.Dexia.com>



EUROPE AND THE EURO / A SPECIAL REPORT

Without Structural Changes, Experts Cautious on Economic Growth*

By Alan Friedman

ROME — The introduction of Europe's single currency in January 1999, despite much rhetoric about savings on cross-border transactions and other benefits, is unlikely to generate much new economic growth on its own. Nor, say many economists, will it have an immediate impact on the plight of the Continent's 18 million jobless.

But economists across the Continent agree that the euro will offer a golden opportunity for corporate efficiency gains, especially as it will be born against the backdrop of a robust and spreading European recovery which is expected to continue during 1999.

In addition, the existence of a single currency zone covering 11 nations with a population of 290 million people should also help to create a far more competitive business environment and a more vibrant capital market than Europe has seen during its fragmented past. This, in turn, could be highly beneficial in stimulating investment.

The euro, say the experts, therefore stands a reasonable chance of helping to spur additional growth in the medium term, but only if its introduction is accompanied by decisive reforms aimed at making labor markets more flexible and slashing the high taxes and bureaucratic obstacles which have held back Europe's economic potential for years.

This is a big if, because most of Continental Europe's political leaders have been unable or unwilling in recent years to push through such measures.

"The euro zone is going to enjoy a golden childhood," said Kim Schoenholtz, chief economist at Salomon Smith Barney in London. "But the real question is whether European policymakers will take advantage of the early years to make deep structural changes,

especially in the labor market. If they don't, then the EMU world will face a troubled adolescence."

The argument put forward by Mr. Schoenholtz and many other private sector economists is that by itself the euro may add a 10th or a quarter of a percentage point to European growth, which in 1999 is expected to run at a healthy 3 percent average. Eliminating transaction costs for changing currency and helping to make capital markets more efficient should provide this marginal kick.

But structural change — the code word for making hiring and firing easier, for reducing public spending on pension and other welfare state benefits, and for lowering Continental Europe's high employer contributions and social charges — is viewed as the missing ingredient which politicians still need to add if they want to nurture lasting growth and reduce unemployment.

Paul Mortimer-Lee, chief economist at the London office of Paribas, said that Europe's average 11 percent unemployment rate may level off or even come down a little bit over the next year or so, but he noted that growth won't be rapid enough to cut unemployment without far-reaching structural reforms.

"Structural reform is what is missing in order to make monetary union work well," said Mr. Mortimer-Lee, who also warned that by planning to reduce the working week from 40 to 35 hours, both France and Italy "are going in the wrong direction."

David Roche, senior partner at economic researchers Independent Strategy, said: "There is a big difference between theory and practice. The theory is that the single currency and single market will increase competition dramatically and thus create more growth. I would say the practice will be that increased competition will squeeze European corporate profit margins and

that will result in more corporate downsizing and, initially, more unemployment."

Another problem, according to Mr. Roche, is that, unlike the single currency of the United States, Europe does not really have labor mobility. "Blue-collar people in Europe are basically immobile," he added.

Like his fellow economists, Mr. Roche noted that "the only way to get more employment is through structural reforms, and I don't see that happening because the various currencies might change and become the euro, but the policies have not changed."

Advocates of the euro such as Yves-Thibault de Silguy, the European economics commissioner, argue that the mere existence of the euro, and of more economic policy coordination at the new European Central Bank and through the new Euro-X policy forum, will help individual governments to tackle politically unpopular welfare and workplace reforms.

The assumption is that a unified Europe under the new single currency will allow politicians to press for reforms at home just as the Maastricht treaty helped them to push for fiscal austerity in order to reduce their budget deficits.

"The euro should be a catalyst for structural reform," said Mr. de Silguy, although he noted that the reforms will be needed not just because of the euro but in particular because of the need to make companies and countries more competitive in Europe's single market and in the context of the global marketplace.

Which countries stand to gain the most from the introduction of the euro? Economists agree that it will be those nations which have traditionally had short-term interest rates far higher than the German level, which is now just 3.3 percent.

The consensus is that when the Euro-

pese Central Bank sets the first single currency zone interest rate next January it will be around 3.7 to 3.8 percent. That level will be higher than existing rates in France and Germany, the core countries in the euro zone, but below the traditional levels in countries on the periphery.

Mr. Roche said, "I think we will get very fast growth rates in Italy, Spain, Ireland and Finland, because their interest rates will come down and they will get the biggest monetary kick in history."

Already, equity markets in these countries are doing well as investors anticipate the economic benefits of lower interest rates.

But the real test of the single currency's impact on the European economy may only come years after its introduction, when some regions in the euro zone face recession.

The reason, say economists, is the Stability and Growth Pact, which Germany has insisted upon and which calls for stiff penalties on countries that exceed the Maastricht ceiling of a deficit below 3 percent of gross domestic product.

Under EMU, individual countries will no longer be able to devalue their currency or cut interest rates to compensate for recession. And with the stability pact strictures, they will not be able to spend their way out of recession either.

Backers of the stability pact say they are not worried because it allows for countries to break through the 3 percent ceiling under exceptional circumstances.

Critics, meanwhile, say the pact will tie the hands of governments that normally would increase public spending in times of an economic slowdown.

ALAN FRIEDMAN is the International Herald Tribune's global economics correspondent.



Thousands, fearing euro will bring layoffs, protested in Paris in January. Jacques Willems/Sipa Press

Worst Pitfall for the Euro: Social Revolt Could Force a Nation to Withdraw*

By Joseph Fitchett

PARIS — The worst risk facing Europe's single currency — in fact, probably the only potentially catastrophic one — would not look much like a currency crisis. Instead, the euro's worst potential pitfall would probably arise as a social revolt in one of the member countries, confronting a government with the choice of losing office or abandoning monetary union.

Such a choice would quickly develop into the most radical geopolitical gamble by a democracy since World War II. It would involve not just re-establishing that country's national currency but also extricating the country from many other European Union institutions, shaking the entire EU along the way.

There are no clear procedures for getting out of the euro, but governments can always break treaties by invoking overriding national interests. The legal complications would be minor com-

pared to the other costs.

A nation that went its own way would lose thousands of jobs over the ensuing months as doubts grew about economic prospects in that country; politically, dropping out would signal that a country was moving away from the European and international consensus. The departure of a major country, such as France, would poison the economic climate as badly as General de Gaulle's decision to leave NATO in 1967 skewed France's international status for three decades.

The political nature of the euro holds the key to its possible success and potential failure, according to a half-dozen European officials and business executives.

In using the single currency as a harness for European power, political leaders have, in effect, been using a currency device to mask their basic aim of making unpopular changes to help Europe meet intensifying international economic pressures.

But by an accident of history, the single currency is being born precisely at a time when the convulsive process of change known as globalization is striking Europe with full force, bringing intense competitive challenges and record joblessness. That coincidence leads some degree of credibility to disaster scenarios, in which economic forces build up in the weakest corners of the European economy and finally erupt at a politically sensitive moment.

The threat, a European finance minister said, on condition that he not be named, "is a nationalist backlash against economic modernization in general that triggered a revolt against European integration that took the euro with it."

Since reunification of Germany nearly 10 years ago, the theme of a single currency has played a central role in reassuring Germans and their neighbors that Europe will be capable of absorbing this unified national powerhouse. This overriding political purpose, the executives and officials said, will ensure that governments find fixed if necessary to overcome foreseeable problems, including the likelihood that monetary union will produce social tensions and policy debates that may damage ties between the countries in the euro.

Almost certainly this will happen as countries try to reach a common approach on shutting down agriculture operations that have become internationally uncompetitive or finding ways to pay for retirement benefits. The 11 countries involved have very different demographics and sharply differing attitudes toward the idea of using the stock market to fund pensions.

Awkward as it is to seek accommodation, these issues are so tough that governments may actually gain by hanging together — forced by the euro.

If a small country felt pushed to its political limits, its problems might be manageable for other governments and the euro would sail on even if a small nation withdrew.

The problem would be different with a major country. If, say, France withdrew, Europe would consolidate around a group of countries dominated by the Deutsche mark.

There are also fears that Washington might sabotage Europe's step toward economic unity by driving down the value of the dollar against the euro, thus spurring U.S. exports and damaging European growth prospects.

But this seems unlikely. Too much U.S. money is invested in Europe for Washington to target the euro. If events drove the euro too high, it would motivate the European Central Bank to cut rates in order to push the euro back down.

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

A Few Weighty Facts About the New Currency

IT WILL take about 300,000 tons of metal — 400 times the weight of the Eiffel Tower — to mint 76 billion euro coins. Most of the coins will contain "Nordic gold" or coppered steel. Some consumer groups are concerned that the proposed use of a copper-nickel alloy in 1 and 2 cent coins could result in eczema on users' hands.

THE EURO symbol is a Greek epsilon harking back to the first days of European civilization, crossed by two parallel lines denoting stability. The euro will be written on bank notes in both Latin and Greek script, although Greece will not be among the first wave of countries adopting the euro.

THE 12 billion Euro bank notes — 5/gray, 10/red, 20/blue, 50/orange, 100/green, 200/brown and 500/purple — will depict prevailing architectural styles during seven ages of European history — Classical, Romanesque, Gothic, Renaissance, Baroque, Rococo, the age of iron and glass and the

fibers, a multitone watermark, security threads, intaglio printing and reflective foils. They will also include features enabling them to be read by bank and vending machines.

IN THE THREE-YEAR transition period before euro notes and coins are introduced, commercially posted conversion rates will legally be in one direction only — euro to national currency. More than 100 electronic currency converters already are available, most of them distributed by banks, industrial groups and supermarket chains as marketing aids. They should by law show conversion rates in six significant digits, although in practice prices will be rounded off to two digits after the decimal point — for example, 1.50 euro.

MORE THAN 90 percent of euro bank notes will be produced by central bank printing plants. Measures against counterfeiting will include fluorescent

— Barry James

Will Consumers Win and Workers Lose?

Continued from Page 18

euro pricing policy yet, but it insists that it won't use the transition to raise prices. "Our customers come to us because they trust us," said a spokeswoman, Alessandra di Montezemolo. "We want them to continue to trust us."

"The tough competition in Germany will not allow windfall profits by rounding up prices," said Hans-Joachim Wiesemann, chief spokesman for Cologne-based Metro AG, Europe's largest retailer. But the temptation to round up may be intense. Metro estimates it will spend 500 million marks (\$285 million) to 600 million marks to convert its accounting systems and cash registers to the euro. Those costs are more than half of the company's 1997 operating profit of 930 million marks.

The European Consumers' Organization contends that the only way to stop hidden price rises is to mandate the posting of dual prices in national currencies and in euros during the transition. But the EU Commission last month declined to take that step and instead called on retailers and consumer groups to reach voluntary agreements on price displays.

On the job front, a recent survey by KPMG found that twice as many corporate executives expected wages to rise on average because of monetary union than to fall. Ms. Pryce said relatively few companies have shut factories in high-wage EU countries and moved to low-wage areas. Companies have tended to steer more new investment into low-cost areas — for ex-

ample, some German companies have expanded production in Italy — "but then Italian wages go up and you haven't done anything about German wages," she said.

But some unions tremble at the prospect of the euro. In banking, which accounts for 2 million jobs in the EU, many analysts predict a wave of cross-border mergers on the back of the euro and hundreds of thousands of job losses.

France's top four banks — BNP, Societe Generale, CCF and Credit Lyonnais — would have to shed more than 50,000 workers to match the staffing efficiency of Britain's Barclays Bank, analysts at Morgan Stanley Dean Witter estimate.

Banks also will be looking to recoup some of the estimated 30 billion Ecus they are spending to alter their computer systems and cash tills for the euro. Here, the transparency that a single currency will cast on labor costs could strengthen management's hand, unions fear.

The average salary of a bank teller translated into Ecus ranges from 740 Ecus a month in Portugal to 1,350 in France and 2,400 in Denmark.

"We don't believe it will be taken out of shareholders," said Ms. Tesch of Eurofict, referring to banks' conversion costs. "We don't believe consumers will pay for it. So we fear workers will pay for that."

Trying to stay ahead of euro-related pressures, leaders of European metalworkers' unions will meet this June in a bid to agree on an EU-wide target for limiting annual working time, which currently ranges from around 1,600 hours in Germany, Austria and Finland to 1,900 hours in Spain and Italy.

TOM BUERKLE is on the staff of the International Herald Tribune.

Continued from Page 18

Later this year, the unions will attempt to extend their cooperation to wages. The aim is not to set a single EU wage, a difficult task when some German autoworkers earn more than twice the salary of Spanish autoworkers, but to agree on guidelines such as linking wage increases to productivity growth, and to increase regional cooperation.

When the German union IG Metall met with steelmakers to negotiate wages for the German state of North Rhine-Westphalia late last year, the union side for the first time included representatives from the Belgian and Dutch metalworkers' unions.

"If we don't have such common rules, we will have much stronger competition between regions, and we would just increase the possibility of social dumping," said Reinhard Kuhlmann, assistant general secretary of the European Metalworkers Federation.

Mr. Coldrick sees several factors mitigating any downward pressure on wages. With most economies picking up on the Continent, Europe could be heading for several years of above-trend growth of 3 percent or more. And the rise of Social Democratic parties, which will control all major EU countries if Gerhard Schroeder defeats Helmut Kohl in Germany in September, suggests that Europeans and their governments won't tolerate crude hire-and-fire policies.

"I'm pretty optimistic that we won't see generalized social dumping across Europe, or a generalized leveling down of wages," he said.

Not only does Mr. Schroeder steer clear of making any connection between economic union and cutting unemployment, but he says "small- and middle-sized firms will find the start very tough, with the possibility that many of the middle-sized ones won't survive. You can't miss the alarm signals," he told the German newspaper Bild.

For Mr. Schroeder, the problems at ground level go further. "The costs aren't clear yet," he said. What is clear, however, "is that states until now could devalue to catch up when they got in economic trouble. With the euro, that's excluded. So two possibilities remain. Either the strong euro countries, above all Germany, pay financial compensation to the weak states — which isn't the way things are planned — or the countries in trouble make cuts, for example in social services. Then what you have is

people in Rome, Madrid, Paris or Lisbon going into the streets and demonstrating against the cuts, Brussels, and the euro. That tears Europe apart, rather than bringing it closer." Of course, Mr. Schroeder also insists that the euro is a fact, and that a new German government will be working for new jobs, while trying to avoid competitive tax-dumping and cuts in environmental spending.

The problem for Europe comes down to having a new framework for economic life that continues to carry specific constraints, but without a unanimous and politically acceptable plan for creating jobs that would make the abstention seem worthwhile. For the time being, the likely solutions are located outside the public debate and the parameters of elections and national reflexes.

One approach would be the relaxation of the stability criteria, as some leaders privately suggest, so as to reinforce upward trends in growth and bring momentum to any positive movement in creating jobs. If this were to catch on, it could create a favorable context for a German-French jobs and tax initiative, easing hiring rules and lowering taxes.

In a Europe that holds to the idea that its greatest achievements include its laws on social protection, this would require political artfulness on the level of creating the EMU itself. It would also probably be an enormous step in turning the economic union into the asset for Europeans at every level that its founders pledged it to be.

JOHN TNOUCR is the International Herald Tribune's senior correspond-

ent.

The Rub of Economic Abstinence

Continued from Page 18

promises for Germany — creation of a "blooming landscape" in the old East Germany, and slicing unemployment in half for the entire country by 2001.

Rather, the strongest and most charismatic new European political player, Gerhard Schroeder, who is running for the Social Democrats against Mr. Kohl in the Sept. 27 elections, continues to talk as if he were made wary by the Organization for Economic Cooperation and Development's very modest new projection on Europe's performance in creating jobs in 2003, once the new currency is in every day use.

The OECD predicts unemployment five years from now at 9.7 percent in Germany, 10.1 in France, and 10.9 percent in Italy, an improved situation over present rates, but still roughly double the current level of joblessness in the United States, and hardly the dramatic turnaround that would make the euro the symbol of a European economic renaissance. When combined with the OECD's projected growth rates in those countries of under 3 percent from 2000 to 2003, the result falls short of a profound turnaround in the employment market.

The problem for Europe comes down to having a new framework for economic life that continues to carry specific constraints, but without a unanimous and politically acceptable plan for creating jobs that would make the abstention seem worthwhile. For the time being, the likely solutions are located outside the public debate and the parameters of elections and national reflexes.

One approach would be the relaxation of the stability criteria, as some leaders privately suggest, so as to reinforce upward trends in growth and bring momentum to any positive movement in creating jobs. If this were to catch on, it could create a favorable context for a German-French jobs and tax initiative, easing hiring rules and lowering taxes.

In a Europe that holds to the idea that its greatest achievements include its laws on social protection, this would require political artfulness on the level of creating the EMU itself. It would also probably be an enormous step in turning the economic union into the asset for Europeans at every level that its founders pledged it to be.

JOHN TNOUCR is the International Herald Tribune's senior correspond-

EUROPE AND THE EURO / A SPECIAL REPORT

New Bank Faces Credibility Gap

By John Schmid

FRANKFURT — At least on paper, Europe's new central bank will be the most independent in the world and thus one of the mightiest. In practice, however, its power to choke inflation, discipline governments and brake or accelerate the economy for 290 million Europeans in 11 nations will hang on a thread called public trust.

Without popular support, unpopular actions to restrain growth or lift lending rates will become difficult to impose. That is an old fact of life for other autonomous central banks. But Europe's monetary gnomes will need to build from scratch that vital if intangible relationship in a way that no central bank ever has done before.

Communicating the intricacies of money supply to noneconomists has never been easy. Such public relations will become even trickier given 11 nations with economic cultures that vary widely.

Central bankers are infamous for their esoteric utterances and auras of secrecy. In the uncharted new landscape, such technocratic traits are luxuries that the European Central Bank cannot afford, according to European politicians, think tanks and economists.

"The independence of the future ECB will only meet with public acceptance if the ECB enjoys a high degree of legitimacy," said Christa Randzio-Plath, a member of the European Parliament, who chairs the subcommittee on monetary affairs.

"The independence of the future central bank will go further than that of any other central bank," said Ms. Randzio-Plath, who is pressing for strict rules of accountability. "This unprecedentedly high degree of independence will call for a correspondingly high level of democratic accountability."

The stakes are high. Failure to make the bank credible to the public and financial markets could lead to an early erosion of public confidence. A backlash could put pressure on politicians to search for easy money and cheap credit as the quickest answer to Europe's chronic unemployment. Without public support, the bank would have no recourse to fend off the pressure, weakening its autonomy.

Such an outcome commensurately would diminish the bank's mandate to control inflation. At the very least, the common market would fall short of its full potential. At worst, the linchpin of European economic integration would be discredited, stalling any future steps toward political integration that many hope will come in the euro's wake.

Markets would react by pushing long-term interest rates higher, handicapping borrowers and government alike and slowing the economy in the process.

"Given the high unemployment in most European countries, pressure will be exerted on the ECB right from the start to tone down the priority of price stability in favor of boosting employment," warned Otmar Issing, the chief economist at the German Bundesbank and Germany's nominee to the six-man executive board of the

European Central Bank. Political independence amounts to a "necessary but not sufficient condition" to operate the new bank, he said recently.

Such pressure has been evident in demands last year by French politicians for a political counterweight to the new body.

"If the public feels duped by the central bank, that central bank forfeits its credibility for many years to come," Mr. Issing said.

All this adds up a tricky balancing act. Confidence in the new bank has already been hurt, many analysts believe, by the 18-month political feud over the bank's top postings. France has insisted that Jean-Claude Trichet, the governor of the Bank of France, head the new bank; Germany and nearly all other EU nations have supported Wim Duisenberg, president of the European Monetary Institute.

European leaders hope to resolve the feud over the presidency by Monday, although it is unclear whether they can reach a consensus by then.

In Frankfurt, the central bank's home, a senior staffer said accountability ranks as one of the most hotly discussed issues. Among the bank's first decisions after it begins operations in May or June will be how often its directors will appear before national Parliaments and the European Parliament and whether and when to publish minutes of its meetings.

In Brussels, the European Parliament this month passed a resolution calling on the European Central Bank to testify four times a year.

"It is not a question of hiding anything," the staffer said. "The question is how much confidential work can be carried out leading up to interest rate decisions without jeopardizing them. Afterwards, of course, each decision must be fully explained." The bank's six directors and 11 board members will then preach the gospel of fiscal discipline nearly every day.

"They have to give a clear explanation of what they are doing and why," said Holger Schmieding, economist in Frankfurt for Merrill Lynch.

If the Bundesbank, the model for its European successor, is any guide, their message will hardly endear them to the euro electorate. Interest rates for many of the euro nations might rise early and hard as a way to establish the bank's inflation-fighting credentials, several think tank analysts have predicted.

The central bankers also are certain to urge governments and unions to make painful changes in labor markets on the ground that chronic unemployment can erode support for tight money policies, analysts said.

Credibility will suffer quickly if national fault lines begin to show. Failure of the directors to speak with a single voice would plant suspicions that quarreling policymakers can block each other. Trust would suffer if the public and investors presumed that internal rifts prevented the bank from doing the right thing, said Thomas Mayer, Frankfurt-based economist at Goldman Sachs.

The Bundesbank and U.S. Federal Reserve know that a single misplaced utterance can send markets into wild gyrations. Yet the risk of a "tribalization" of views are real, especially

under a "one size fits all" interest rate policy, economists said. With Ireland's economy expanding at nearly 8.5 percent last year compared to 1.5 percent in Italy, the room for differences of opinion is "wide open," Mr. Schmieding said.

Skeptics note that tolerance of central bank autonomy itself is a new phenomenon in Europe. In December 1991, when European leaders signed the Maastricht treaty that founded the European Union, central banks in most of the signatory countries were more or less dependent on their governments.

"It is clear that the culture of stability is not as deeply ingrained in places like Italy and Spain and even France as it is in Germany," said Ricardo Barbieri Hermite, an Italian-born economist at Morgan Stanley.

OPTIMISTS believe the European Central Bank can inherit the collective credibility of its member national banks. Not all agree. For a central bank, "reputation has its roots in decisive and goal-oriented action. It is bound to an institution and cannot simply be bequeathed," according to the view last year of Germany's Council of Economic Advisers.

Traders, who long used the rule of thumb "never bet against the Bundesbank," will be ready to put its reputation to the test.

Officials at the Bundesbank admit they owe their long track record as Europe's premier inflation-fighting institution to Germany's "stability culture" or social consensus. That has allowed the Bundesbank to fight the government, when necessary, and win. When Bonn last year wanted to revalue the Bundesbank's gold reserves as a quick revenue windfall to plug deficits, the Bundesbank rallied the public and parliamentarians to its side. The government backed down.

Until the first half of this decade, the marriage of public support and central bankers was a phenomenon considered unique to Germany. Germans tolerated a jolting shock treatment of postunification interest rate increases, driving the cost of credit to the highest levels in postwar history, even as the economy sputtered into recession.

With their currencies pegged to the Deutsche mark, other nations complained bitterly of the price they paid to fight the inflation threat emanating from the load of newly printed Deutsche mark bank notes for East Germany. Tellingly, German inflation throughout the ordeal peaked at 4.8 percent, a level that was commonplace at the time in Italy, Spain and Portugal.

Acceptance for the euro is creeping up in France. A recent Sofres poll suggested that 57 percent of the French are in favor of the euro.

For Spaniards, entry into the single currency zone will put their final seal on their passage from dictatorship to democracy. Monetary union will put the



In 1996, the French village of Mortagne-au-Perche began a campaign to acquaint its residents with the euro.

Associated Press
Photo by
M. Dauvin

Living to
the 200th
father.

cs were

protest,
weapons
s child-
gts and
to
ries.

indungs
id Tina
founder,
in Fran-

owilton

Media Blitz to Woo a Skeptical Public

By Barry James

BRUSSELS — And now, get ready for the hard sell. Once Europe's monetary union has been formally announced, governments will begin cranking up a publicity campaign aimed at promoting the single currency to a predominantly skeptical public.

The latest cross-Europe poll showed that only 47 percent of Europeans on average are in favor of the euro. But the degree of acceptance varies widely from country to country.

Germans, above all, will regret the passing of their powerful Deutsche mark. Italians will have less difficulty in saying farewell to the lira, after dozens of government changes and devaluations since World War II. Italians have never suffered German-style doubts about the euro. Of 1.5 million people who phoned into a recent television program, most were in favor of the single currency. Newspaper polls suggest that more than 70 percent of Italians support the euro.

Acceptance for the euro is creeping up in France. A recent Sofres poll suggested that 57 percent of the French are in favor of the euro.

For Spaniards, entry into the single currency zone will put their final seal on their passage from dictatorship to democracy. Monetary union will put the

Finns, long the frozen boundary of Europe, into the heart of the Continent's decision-making. Still, a powerful rural constituency opposes it.

The British are deeply reluctant to relinquish their pounds and pence and are remaining out of the euro zone, along with the Danes and the Swedes. Polls in Sweden suggest that the main preoccupation there is that monetary union will lead to federalism.

The Greeks cannot meet the single currency criteria, but they are making huge efforts to catch up.

The passage to the single currency has been achieved with little public assent. Some talk of a "democratic deficit," although the issue has been discussed and approved by the European Parliament.

Money goes to the heart of people's lives. It is their retirement, their security, their children's education, their hopes and their fears. For all the talk of new economic opportunities and of broader horizons, many are afraid of letting go of the familiar, of adopting strange new bank notes and coins without character, without roots in history. Yet while there is no great show of enthusiasm, Europeans do not want to be left on the sidelines by what is in effect a revolution.

Monetary union will come into being eight months from now. Between now and then, governments will attempt to convince their citizens that the euro is in

their best interests. All the governments in the currency zone have prepared a television and newspaper blitz to prepare the way. The campaign will be carried into schools.

The commission, the executive arm of the European Union, has been a prime mover behind the single currency, but it has remained aloof from the debate. Legally, it cannot intervene. Under a principle known as subsidiarity, it is up to governments to spread the word.

The commission takes the view that the way to sell the euro varies from country to country, and even between regions in the same country. The issue has to be addressed in domestic political and economic terms.

Most governments have held back from promoting the euro until the members of the single currency have been announced.

The situation was different in Italy, which imposed a special tax to meet the euro criteria and needed all the public support it could get.

Public and political opposition to the single currency has been most powerful in Germany, where the stability of the Deutsche mark has become almost a fetish in light of memories of the wild inflation of the pre-war period. Paradoxically, it is in Germany that companies have been among the most enthusiastic in jumping on the euro bandwagon. Many have said they will promptly adopt the new currency.

Next Step: Locking the Euro in Place

By Carl Gewirtz

PARIS — Western Europe's collective dream of currency independence takes a historic step closer to reality this weekend when governments of the 11 countries who plan to form a monetary union next year declare the exchange rates that intend to fix against one another.

The irrevocable fixing of rates will only take place Dec. 31, and the actual coins and notes of the new euro currency will only replace existing national currencies in 2002. But by declaring their conversion rates against one another now — rates that are widely expected to reflect current levels — the 11 begin the final stage of facing the world as monetary monolith.

By moving so early, officials hope to reduce uncertainties, eliminate opportunities for potentially disruptive speculation and, in particular, give business ample time to prepare for the numeric changeover that will occur on Jan. 1, the first day of business next year when prices throughout the region will be quoted in both euros and existing national currencies.

"Exchange rates will become less important for each country," said Professor Charles Wyplosz of the Graduate Institute of International Studies in Geneva. "The external value of the euro will still be a matter of concern, but much less of a preoccupation."

The reason: Trade outside the euro area of the 11 will shrink to a level about as important as foreign trade is to the United States. In other words, not very. That's because a huge portion of Europe's trade is with itself.

To take the most extreme example, Belgium will see exports drop from 67 percent of total national production to an effective 24 percent when measured only as trade outside the euro area. Even for the largest members of the currency union — Germany, France and Italy — trade exposure to the outside world will be almost halved. For all 11, exports outside the euro area will amount to 13.7 percent of production and imports to about 13 percent. The comparable U.S. figures are 11.3 percent and 12.4 percent, respectively.

The numbers mean that the dollar can soar in value, or fall, without having an impact on the main business of Europe,

which is trading with other Europeans. Most experts expect the dollar to be more volatile versus the euro than it was against the Deutsche mark.

During the past 28 years, the dollar has swung violently, losing more than half its value versus the mark in the 10 years to 1980, then doubling over the next five years, then skidding 60 percent over the following 10 years to a low of 1.3455 DM.

During this period, Europe experienced a great number of currency crises as dollar weakness versus the mark invariably meant weakness of the other European monies versus the mark. It is this kind of intra-European disturbance that will cease.

The decision to face the rest of the world as one currency, armed only with a common monetary policy set by the European Central Bank, remains a daunting challenge. No one imagines that one policy on interest rates will always suit all 11 countries, since so many other aspects of economic life, from corporate accounting standards to fiscal policy, are not coordinated and remain under national control.

But the political commitment to make monetary union work has clearly impressed bond holders, the class of investors most at risk. "The message from the performance of bond markets has been most impressive," declared Graham Bishop, London-based analyst at Salomon Smith Barney.

Looking at the movement in market prices of 10-year bonds, Mr. Bishop noted that long-term German interest rates have declined from 5.25 percent late last year to a near record low 4.87 percent currently. At the same time, the premiums at which Italian and Spanish government bonds trade over German levels have nearly halved.

"This is an impressive message, saying that investors have confidence in monetary union, that they are not worried about the euro," he said.

The big question is whether policymakers, in particular the central bankers, who have spent their professional lives with one eye always fixed on the external value of their currencies, will feel free to exploit the room for fluctuation that the common currency affords.

The record clearly shows the Bundesbank's legendary indifference to employment and growth, a policy

that created a "hard" money at the expense of some economic underperformance," said Professor John Makin at the American Enterprise Institute in Washington.

But with unemployment in the European Union averaging a crushing 11 percent and forecast, based on current policies, to remain at just over 9 percent in 2003, Mr. Makin warned that "the EU can't afford the kind of indifference to growth typically displayed by the Bundesbank."

Even Mr. Bishop estimated that "it could take a generation for EU policymakers to lose their sensitivity to the external value of their currencies."

The danger, said Jonathan Wilmer at Credit Suisse First Boston in London, is that the short-term interest rates controlled by the European Central Bank will be tightened too soon to fully exploit the economic recovery now under way in a misguided effort to prevent a weakening of the euro and to accommodate the need for higher interest rates in countries like Ireland and Italy as well as the Netherlands and Spain.

Mr. Wilmer concurred that lower interest rates risk fueling a bubble in asset prices in these countries, but he asserted that those problems could be averted with aggressive reform of spending and taxation policies that need to be taken in any event.

As for the capacity of a strong euro to dethrone the pre-eminence of the dollar as a reserve currency, analysts take sharply different views.

Avinash Persaud at J.P. Morgan in London believes the euro could begin challenging the dollar "lightning quickly" as more world trade will emanate from the euro area than the dollar area, and as transaction and dealing costs for the euro fall to levels competitive with those for the dollar.

But taking the view that trade follows the flag and Euroland still has no flag, Norbert Walter at Deutsche Bank in Frankfurt expects that "the euro will be to the dollar what Airbus is to Boeing: a junior partner, a competitor, but not an equal. There is one political hegemony, and that's the United States for the foreseeable future and that will reflect itself in such areas as the currency."

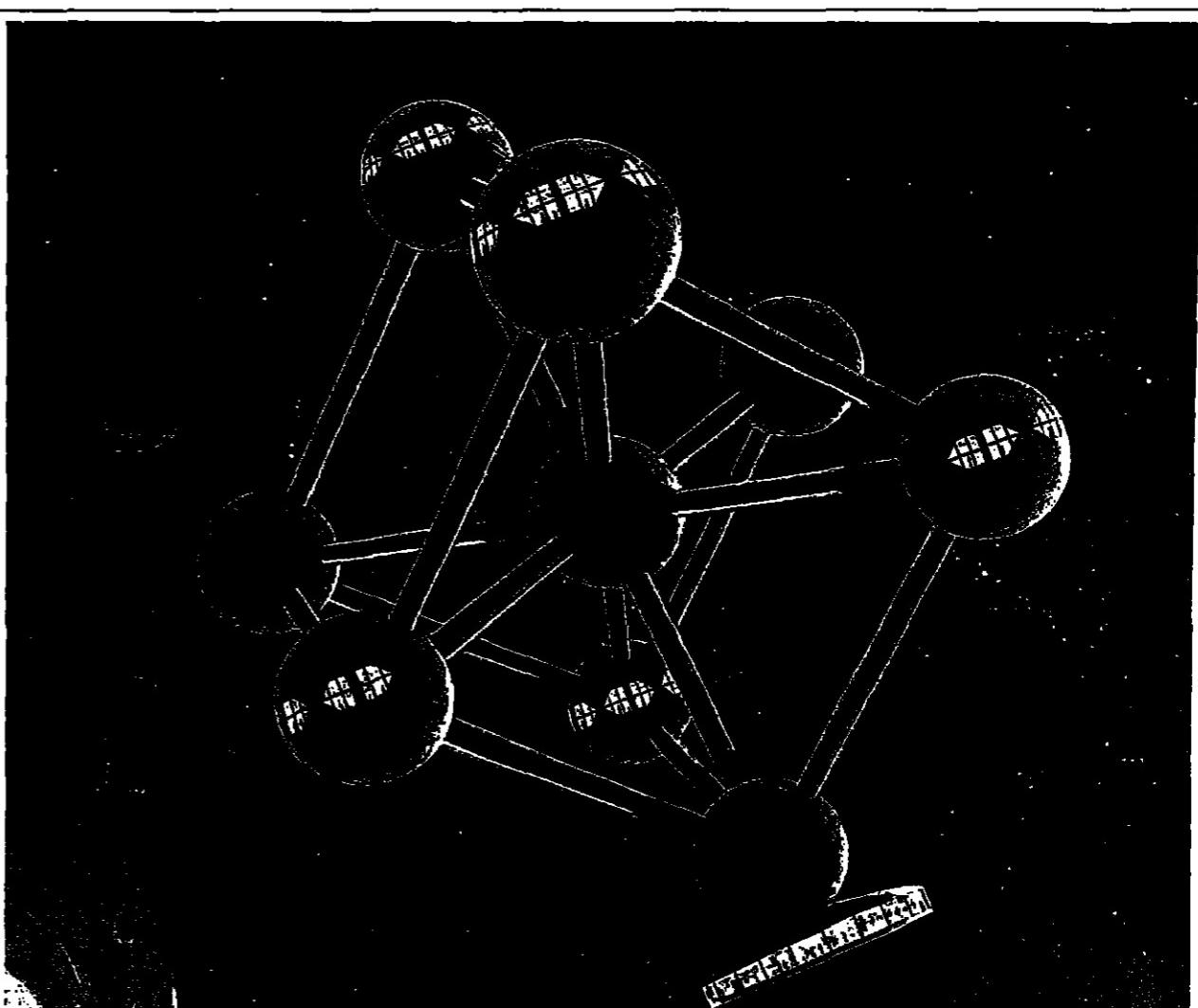
CARL GEWIRTZ is an associate editor of the International Herald Tribune.

The opportunities offered by the euro are challenging decisionmakers across Europe. WestLB is well prepared to help you succeed in this complex task.

Based on its presence in most European countries, WestLB is one of the truly leading banks in Europe. With our competence and track record we match the high requirements of our

professional clients. When it comes to modifying financial strategies and converting systems to the euro, be sure to benefit from our expertise. So no matter what your goals are, WestLB's support means you will never find yourself in uncharted territory. For updated information about WestLB and the euro, simply visit us on our Web site under <http://www.westlb.com>

WestLB



European banking made by WestLB.

EUROPE AND THE EURO / A SPECIAL REPORT

By Any Measure, Europe's New Monetary Union Is a Historic Exploit

By Reginald Dale

WASHINGTON — Starting from the Declaration of Independence, it took the United States nearly 90 years to establish a fully fledged common currency, and a further 50 years to set up the Federal Reserve system in 1913.

When the European Union introduces the euro, backed by a European Central Bank, at the beginning of next year, it will have traveled the same distance in just over 40 years.

Of course, it is not an exact parallel. But the comparison is worth making if only because so many people forget how far, and how relatively fast, the Europeans have come since they began their postwar drive for closer unity in the 1950s.

As the debate over the single currency has intensified during the past two years, the focus has been much more on the economic and financial technicalities than on the momentous historical dimensions of the endeavor.

Yet, by any historical yardstick, the decision by 11 West European countries to link their destinies in an economic and monetary union is an epoch-making achievement. And, in many ways, the Europeans face a harder task than the Americans did before them.

It will not be Europe's first try. European monetary unions have come and gone, in different shapes and sizes, and with greater and lesser degrees of permanence, for the past 2,000 years. The single currency zone will be smaller than the Roman empire, in which for centuries the silver denarius circulated freely from the Middle East to the Atlantic and from North Africa to the Rhine.

BUT it will be larger than Charlemagne's empire, which covered roughly the same territory as the six founder members of the European Union, and which also boasted a common silver coinage in the early 9th century. Both those unions, however, were largely the fruit of conquest.

What is unprecedented about the euro is that so many independent states are voluntarily pooling their sovereignty—for the first time—not just in order to improve the mechanics of trade and currency flows, but to promote much deeper economic and political unity.

In the United States, the National Currency Act of 1863 helped unify America, then in the throes of civil war, by providing for the replacement of state bank notes of varying values by the greenback—in much the same way that national currencies in Europe will be replaced by the euro.



Chancellor Konrad Adenauer and President Charles de Gaulle, the architects of the Franco-German Treaty of Cooperation, meeting in Paris in 1967.

Some 19th-century Americans even thought that the Civil War might not have occurred if the currency had been unified sooner, just as many 20th-century Europeans have seen economic integration as the best way to prevent further fratricidal war in Europe.

In 19th-century America, the greenback quickly became not only a major spur to trade but an important symbol of national unity. Many Americans at the time seem to have believed that the new dollar "had an important impact in helping create a common national identity," according to Jerome Sheridan of American University in Brussels.

Much the same role is now sought for the euro by its supporters in Europe. Of course, few Europeans believe that the euro will usher in a United States of Europe, at least in the near future. Europe's historical, linguistic and cul-

tural divisions are still too deep, its national instincts too strong, and public support for bold new steps to political unity too shallow. The Continent's past is still ever-present. Charlemagne's single currency was resisted most strongly by the very same two peoples—the English and the Danes—that insisted on official opt-outs from today's single currency nearly 1,200 years later.

FOR much of the past two centuries, French thinkers and economists have consistently been among the most active proponents of European monetary integration. In the mid-19th century, Michel Chevalier, an economic adviser to Napoleon III, foreshadowed the creation of today's planned European Central Bank with uncanny precision.

"One does not see why the progress of commercial and political relations among the peoples of Europe should not lead to the creation of an international bank, which would have at least one seat in each of the great states," he wrote.

Britain has always been aloof. In the 16th and 17th centuries, England was notorious for its distrust of Continental monetary conspiracies against the City of London, and in the 19th century the English poured cold water on French-backed proposals for a "universal money" linking Continental European currencies to the pound and the dollar.

To some, such signs of enduring national characteristics are reassuring. They suggest that Europeans will not quickly or easily lose their national identities in some kind of a faceless superstate. But they also inevitably raise the question of why the euro should

work when so many previous attempts have failed.

In the late 19th century, three European currency unions existed alongside each other—the Latin, the Scandinavian and the German—all of which eventually came to grief. In recent decades, the EU itself has demonstrated the difficulty of the task by adopting and then postponing earlier plans for monetary union.

So what makes the 11 countries think they can succeed now? In the first place, previous monetary unions had much less solid foundations. The Latin and Scandinavian unions of the late 19th century were established for reasons of currency and trading convenience, not as part of a broader process of economic and political unification.

The original German union was destroyed by World War I, but Italy's has

lasted since 1861 and Britain's since 1707, when Scotland joined England in the Act of Union. The Belgo-Luxembourg monetary union has lasted since 1923, and the currencies of the former East and West Germany were merged in 1990.

The 11-nation union now planned is, of course, far more ambitious than any of its recent predecessors, and its membership will be much less homogeneous. It would probably not be possible at all without the cataclysmic experience of World War II, in which all the European combatants except Britain suffered either occupation or defeat, or both.

Today's circumstances are much more auspicious than when the then European Community concocted its initial plan for monetary union in the late 1960s and early 1970s, with a target date of 1980. That effort was blown apart by the first international oil shock and the Europeans' ragged response to it.

IN those days, too, as Peter Kenen, an economist at Princeton University, has pointed out, fixed exchange rates were no longer fashionable and most European governments were still using capital controls. France and Germany for years engaged in a bitter doctrinal argument over whether economic union should precede monetary union, as Germany insisted, or vice versa, as France proposed.

Now, that argument has been settled, broadly in Germany's favor. Over the past 15 years or so, Europe has achieved an unprecedented degree of economic convergence.

It has also, since the European Monetary System was established in 1979, gained much more experience of relatively fixed exchange rates.

In contrast to the 1970s, there is now wide agreement on the importance of price stability and central bank independence. And in a more competitive, globalizing world economy, the advantages of forming a larger and stronger monetary bloc have become more obvious.

History, it has been widely noted, is moving faster. After the United States adopted its single currency, it took more than half a century for the dollar to oust the pound as the world's leading currency.

No one is expecting the euro to meet out a similar fate to the dollar in the foreseeable future. But in the quick-moving world of the early 21st century, it is unlikely to take the euro nearly as long as the dollar to establish itself as a major world currency.

REGINALD DALE is a columnist based in Washington for the International Herald Tribune.

Friggy Equation
By Ruth Jacobs

BELGIUM — Even though the Belgo-Luxembourg monetary union has lasted since 1923, the currencies of the former East and West Germany were merged in 1990.

The 11-nation union now planned is, of course, far more ambitious than any of its recent predecessors, and its membership will be much less homogeneous. It would probably not be possible at all without the cataclysmic experience of World War II, in which all the European combatants except Britain suffered either occupation or defeat, or both.

Today's circumstances are much more auspicious than when the then European Community concocted its initial plan for monetary union in the late 1960s and early 1970s, with a target date of 1980. That effort was blown apart by the first international oil shock and the Europeans' ragged response to it.

IN those days, too, as Peter Kenen, an economist at Princeton University, has pointed out, fixed exchange rates were no longer fashionable and most European governments were still using capital controls. France and Germany for years engaged in a bitter doctrinal argument over whether economic union should precede monetary union, as Germany insisted, or vice versa, as France proposed.

Now, that argument has been settled, broadly in Germany's favor. Over the past 15 years or so, Europe has achieved an unprecedented degree of economic convergence.

It has also, since the European Monetary System was established in 1979, gained much more experience of relatively fixed exchange rates.

In contrast to the 1970s, there is now wide agreement on the importance of price stability and central bank independence. And in a more competitive, globalizing world economy, the advantages of forming a larger and stronger monetary bloc have become more obvious.

History, it has been widely noted, is moving faster. After the United States adopted its single currency, it took more than half a century for the dollar to oust the pound as the world's leading currency.

No one is expecting the euro to meet out a similar fate to the dollar in the foreseeable future. But in the quick-moving world of the early 21st century, it is unlikely to take the euro nearly as long as the dollar to establish itself as a major world currency.

REGINALD DALE is a columnist based in Washington for the International Herald Tribune.

Countdown Begins
the First Phase
from Part 14

Corporate Europe Is Running Behind*In Preparing for Euro, the Laggards Are Likely to Lose Market Share*

By John Schmid

FRANKFURT — Corporate Europe should be the first sector of society to learn what it means to have a shiny Trojan currency—a hopeful symbol of pan-European unity that many expect will sneak in with it a raft of painful economic and social changes.

Between a third to a half of Europe's companies have failed to prepare for the radically changed competitive landscape that the euro will bring. The figures, supported by several recent surveys from industry trade groups and management consulting firms, astonish anyone who thought Europe had plenty of time to get their systems up and running in euros.

Laggard companies, mostly small and medium-sized businesses throughout the European Union, are expected to rank among the first losers in the more competitive environment that the euro is expected to usher in after Jan. 1. "Those that are not ready may experience very real trouble and lose market share," said Francois Bordoniado, who heads the euro conversion team at Pechiney SA, a large French aluminum and bottling company.

Steep costs to prepare for the euro and the unwillingness of Europe's pro-euro politicians to debate the euro's unwelcome side-effects rank among the main reasons many European managers are expected to be caught off guard, according to trade groups and executives.

Even some larger operations are running behind, industry sources say. "I still know of a lot of other big and important companies that are just getting started," said Andreas Erdmann, who heads euro conversion services for International Business Machines Corp. "It is going to hit hard," said Stephen Dexler, head of research on the euro at Grant Thornton International, a London-based accounting firm. In its most recent poll of Europe's small and medium-sized firms, Grant Thornton found 37 percent had not yet begun to prepare for the euro.

While the euro will be a boon to consumers who will see big price differences for goods like shoes and cars in neighboring markets, the ensuring competition immediately will feed into a supply chain of price pressure at the company level.

"Companies who have not yet started the changeover are seriously disadvantaged," said Leo Martin, senior manager at the KPMG management consulting group in London. In its survey, KPMG found only about half of Europe's companies—53 percent—will be ready to prepare their accounts in the euro in 1999.

The winners are expected to be the big blue-chip businesses like Siemens

AG, Daimler-Benz AG and Philips N.V. which have been quick to adopt the euro as their inhouse currency. Siemens and Daimler began preparations as early as 1996.

At Daimler, the euro will become the "corporate currency" on Jan. 1, replacing the Deutsche mark in every sector of the company.

The mark, which helped make the auto and aerospace giant a world export champion overnight, will become "foreign currency," said Wolfgang Hartung, who has headed Daimler's euro project team since early 1996. Much like globalization, the euro will be a "catalytic factor" for change for companies and economies, he predicted.

Next year, Daimler will use euros when it publishes interim results for the first half of 1999.

Going further, Siemens will even use euros to pay employees in Britain, which is not among the 11 nations launching the euro.

The architects of European currency union deliberately created a three-year buffer period for companies to prepare. Starting in 1999, the euro will be introduced as a non-cash currency—mainly a unit that exists only on balance sheets. In 2002, the actual new notes and coins will be introduced.

Early-bird companies and banks reckon they can win market share and storm across national borders if they are in the first wave of that conversion.

Big players that started early did more than upgrade their software. They conducted top-to-bottom reviews of their hierarchies to find ways to wring the greatest efficiencies out of the euro. Many restructured.

IN Germany, Europe's biggest economy, the top 50 or so companies that invested heavily on an early switcheroo sent out letters to their main suppliers to warn them that all billing and bids must be in euros next year, according to the Bonn-based DIHT, Germany's Chamber of Industry and Trade.

Daimler alone sent out 40,000 letters of advance warning. But because what Daimler did is costly and complicated, only 39 percent of Europe's companies have undertaken internal restructuring to make the euro their inhouse money at the earliest changeover date, according to KPMG's findings.

In Germany, only an average of 43 percent of indigenous firms have begun preparations, according to a survey released last month by the DIHT. Grant Thornton ranks Germany along with Britain and Spain as one of the nations with a large share of latecomers.

"Those that do not fulfill the euro changes will face difficulties," said Guenter Albrecht, chief economist at the DIHT. "They can be boxed out of contrasts by rivals," who can quote

lower prices on supplier contracts in euros. The DIHT has begun an effort to good its member companies to move faster.

In its sampling of the nation's biggest 25,000 companies, the DIHT surprised those who expected Germany to be on the front lines of competition. The German sectors quickest to adapt have been industry, leading retailers and service providers. But even within industry, little more than half have begun to adapt. On the opposite end lies construction, where only one in five companies has begun the switcheroo, the DIHT found.

IN too many cases, experts say, companies view the euro merely as a software changeover, similar to the glitch related to the year 2000 conversion. Those companies might be slow to sort out bills, but will suffer from inhouse confusion.

"It is not only a software problem. It is a complete corporate problem. It is a legal problem. We have to train 940 people this year," said Jean-Dominique Senard, chief financial officer at Pechiney.

On the software level alone, the task is far more bewildering than locating an "e" for euros on keyboards. Under EU regulations, a company that wants to repatriate revenue from lire to guilden during the transition period must first convert to euro from lire and then from euro to guilden. To ensure uniformity of exchange rates, the EU stipulates accuracy to six digits after the decimal. Programmers dub it "triangulation" and call it the most compelling reason to switch early.

"For those unable to adapt on time, they have to deal with almost all segments of an organization with two currencies and that is not healthy. It is a disadvantage," said Mr. Hartung. "Those who come late will deal with the euro as a foreign currency."

Another problem for latecomers is Europe's shortage of computer programmers. Hermann-Josef Lamberti, a top euro executive at IBM, estimates that Germany this year needs 20,000 more programmers.

Costs for the changeover pose the biggest disadvantage to small companies. Daimler estimates the total bill for its transition at 200 million DM (\$111 million), with more than half of the sum for computer changes. However, these costs will be offset by annual savings of up to 100 million DM in transaction costs, it reckons.

In what Mr. Martin called a "staggeringly high sum," KPMG found on average that larger companies are faced with \$30 million in changeover costs. That figure excludes the expected plunge in sales that many companies are likely to suffer when the euro exposes big pricing differentials and forces price realignment.

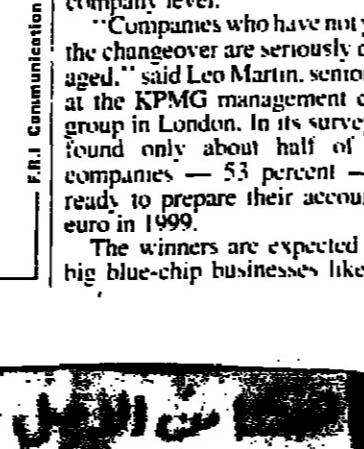
THE BEST OF THE EURO

+ INNOVATION • SIMPLICITY • LIQUIDITY • TRANSPARENCY + INNOVATION • SIMPLICITY • LIQUIDITY • TRANSPARENCY +

MINISTERE DE L'ECONOMIE
DES FINANCES ET DE L'INDUSTRIE

<http://www.oaf.finances.gouv.fr>

FRENCH GOVERNMENT SECURITIES



EUROPE AND THE EURO / A SPECIAL REPORT

Tricky Equation Ahead: 11 Nations, 11 Tax Systems and One Currency

By Barry James

BRUSSELS — European monetary union raises the specter of 11 countries bound together by a single currency and divided by 11 diverse tax systems.

An important question for the success of the common currency, experts say, is the extent to which member nations can agree to align, or harmonize, their taxes.

Unless they do, investors and talented individuals in a market without economic borders will gravitate to where they are taxed the least.

The European Commission puts this in more technical terms: "As exchange rate risks are eliminated and transaction costs are reduced following the introduction of the single currency, the differences between national tax systems will become more visible and will have an even greater influence on allocation decisions."

In placing monetary policy in the hands of the European Central Bank, governments leave themselves with a restricted range of fiscal measures to tackle problems such as unemployment and national debt. Taxation is one of those measures.

In short, countries will either have to cut costs, or maintain the present high level of taxes to stay within the criteria of the currency zone, and to maintain public services, pay pensions and preserve social welfare systems. The European

Commission, the executive arm of the European Union, warned that unless tax spending is checked the burden will shift increasingly to the least skilled or less mobile workers.

Similarly, it said, small companies and craft industries that are important for job creation will be penalized more than mobile multinational companies. Taxes and social charges on labor have increased over the past 15 years while other costs, such as capital, energy and natural resources, have decreased.

The European Commission says that taxes, as a percentage of GDP, in the EU set a record in 1996. Governments siphoned off 42.4 percent of economic output, compared with 41.7 percent in 1995 and 38.7 percent in 1980.

"Unless the trend is reversed," the commission said, "employment will be further discouraged because the result is that labor becomes more costly for employers, less rewarding for workers and less advantageous relative to capital for producers."

Tax competition is rife among European countries seeking to lure investors. When two regions offer similar facilities and labor skills, the one offering the best tax breaks usually wins the deal.

In a first move to iron out inequalities, EU members have agreed on a non-binding code of conduct on business taxation. They said they would avoid "harmful competition" in taxation,

meaning deals to attract investors to certain regions, enterprises or economic sectors. They also agreed to phase out such inducements where they already exist.

Exactly what constitutes "harmful" was not explicitly defined, leaving the way open for future disputes.

Ireland, for example, would be reluctant to abandon its low rate of corporation tax, which has been an important contribution to its industrial boom. It cannot overnight stop transferring resources from the rich North to the poor South, even if this causes tax evasion.

Problems could also occur if countries use taxes to pursue conflicting political ends. Imagine, say, that one country used tax incentives to protect the environment while another used taxes to subsidize road-building. The commission is pressing governments to adopt a joint position on so-called green taxes.

Mario Monti, the commissioner with responsibility for taxation, said the code of conduct "will make it possible to reduce the distortions in the operation of the single market, to prevent the growing erosion of tax revenue and to pursue tax policies which are conducive to employment." Tax inequalities mean the single market is "significantly underperforming."

Companies still face a taxation minefield when they do business across national frontiers. For example, they have to deal with more than 200 different



Randy Auerbach/TBT

Herald INTERNATIONAL Tribune
SPORTS

SATURDAY-SUNDAY, MAY 2-3, 1998

WORLD ROUNDUP**Agassi Gains Semis**

TENNIS Andre Agassi beat second-seeded Jonas Bjorkman, 6-2, 6-2, on Friday to reach the semifinals of the BMW Open in Munich.

Agassi, the No. 8 seed, broke Bjorkman's serve at the start of each set and never dropped his service. His semifinal opponent will be Galo Blanco of Spain, who beat Tomas Nydahl of Sweden, 7-5, 5-7, 7-6 (7-1).

A former No. 1, Agassi fell as low as No. 141 last year. But after winning two tournaments this year, he now is ranked No. 20 in the world. (AP)

Bergkamp Wins MVP

SOCCER The Arsenal forward Dennis Bergkamp, who is from the Netherlands, was voted English soccer's Player of the Year on Friday. It was the fourth year in a row that the award was bestowed on a player who was not English.

The winners the last three years were Jürgen Klinsmann of Germany, Eric Cantona of France and Gianfranco Zola of Italy. The voting was carried out by British soccer writers. (AP)

Espirito Takes 14th Stage

CYCLING Victor Espirito, captain of the Philippine cycling team, won the 14th stage of the Tour of the Philippines on Friday.

Espirito's teammate, Warren Davadilla, who finished eighth in the 27-kilometer (17-mile) individual time trial, kept his overall lead with two stages left in the race.

Espirito, the 1996 champion, was timed in 1 hour, 4 minutes and 4.76 seconds.

• Fabio Baldato of Italy edged Bo Larsen of Denmark to win the 37th annual Round the Henninger Tower cycling race on Friday in Frankfurt.

Baldato covered the 192 kilometers (120 miles) in 5 hours and 14 seconds and won in a crowded sprint to the finish line.

Jan Ulrich of Germany, the Tour de France winner last year, finished 49th in a group seven seconds behind the winner.

Ulrich has been battling weight problems and has been criticized by French sports media because of his poor shape two months before the 1988 Tour de France. (AP)

A Title for Sparta Prague

SOCER Sparta Prague clinched its second consecutive Czech first-division title with a 2-0 victory over Hradec Kralove on Friday. The triumph gave the Prague team, which has led the league from the start of the season, an insurmountable 64 points. Its crosstown rival, Slavia Prague, is second with 48 points. Five games are left. (Reuters)

Fistfight Alters Shape Of Heat-Knicks Series

Mourning and Johnson Suspended for Game 5*The Associated Press*

NEW YORK — There will be a Game 5 in Miami without Alonzo Mourning, Larry Johnson and Chris Mills, and another Game 5 in Seattle with George Karl.

There will not be a Game 5 in Indiana or Ingleside.

The New York Knicks and Seattle SuperSonics staved off elimination and

mean, we did what we had to do, came up, got a split, got back into the series after losing in Miami."

It was an incredible ending to another hard-fought, physical game between the bitter rivals, whose second-round series last year included a brawl at the end of Game 5 that led to five Knicks being suspended for one game each.

That incident ultimately ended up costing the Knicks their season, but now they have a chance to turn the tables in the very same building where it happened.

"I made a big mistake. I let my teammates down," said Mourning, who claimed that Johnson had been hitting him all night.

Johnson said: "It's a big game Sunday. I should have grabbed my composure. I should have known better. It was spontaneous, but I had time to do the right thing."

Mourning also was fined \$20,000. Johnson was fined \$10,000 and Mills \$2,500.

The altercation was broken up after about 30 seconds, and suddenly the whole tenor of the series was changed.

Instead of having a Game 5 with both teams at even strength, Miami will be without its franchise center and New York will be without its only low-post scoring threat — unless Patrick Ewing returns. "When Patrick is ready, he'll get out there and play," said Ernie Grunfeld, the Knicks' general manager.

Johnson and Allan Houston led New York with 18 points apiece. John Starks had 17 and Charles Oakley and Chris Childs had 10 each.

Tim Hardaway scored 33 for Miami, shooting 12-for-21, and Mourning — playing without the face mask he had been wearing since his cheekbone was fractured late in the season — had 29 on 11-for-14 shooting.

SuperSonics 92, Timberwolves 88 At Minneapolis, Gary Payton had 24 points and 8 assists, and the Sonics used a late 19-6 run to take control.

The Wolves pulled to 91-88 when Kevin Garnett scored with seven seconds left, but Greg Anthony hit the second of two free throws to clinch it.

Despite having three rookies in the



Henry K. Alvarado/Associated Press
Alonzo Mourning of the Heat defending against the Knicks' Larry Johnson in the 2d quarter, before fists flew in Madison Square Garden.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

Miller led the Pacers with 19 points and Rik Smits had 17.

Lakers 110, Trail Blazers 99 At Portland, the series ended exactly as it did last year, with the Lakers ousting the Blazers in four games. Los Angeles advances to the conference semifinals against either New York or Miami.

Shaq O'Neal had 31 points and 15 rebounds, but it was his supporting cast that made the difference.

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

Miller led the Pacers with 19 points and Rik Smits had 17.

Lakers 110, Trail Blazers 99 At Portland, the series ended exactly as it did last year, with the Lakers ousting the Blazers in four games. Los Angeles advances to the conference semifinals against either New York or Miami.

Shaq O'Neal had 31 points and 15 rebounds, but it was his supporting cast that made the difference.

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his 24 points in the first quarter, and Vin Baker had 13 points and 12 rebounds for Seattle. Garnett led the Wolves with 20 points and 10 rebounds.

Pacers 80, Cavaliers 74 Indiana made Larry Bird a winner in his first playoff series as a coach, surviving a scare from the young Cavs.

"They wouldn't quit," said the Indiana point guard Mark Jackson, surprised by how close Cleveland came to forcing a fifth game. "It was like trying to put your kids to sleep, and they want to play one more Nintendo game."

Kobe Bryant had 13 of his 22 points in the fourth quarter, when the Lakers smashed a brief Portland rally. Rick Fox had 16 points and 9 rebounds, and Nick Van Exel added 14 points and 7 assists.

The victory kept Seattle from its first three-game losing streak of the season and kept Karl employed for at least one more game. He almost certainly will not be rehired if Seattle loses in the first round, as it did in 1994 and '95.

Hersey Hawkins scored 16 of his

SPORTS

To Reach Sailing's Pinnacle, an Arduous Climb in Whitbread

By Angus Phillips
Washington Post Service

BALTIMORE — Seven months into the Whitbread Round-the-World Race, with the worse of the grueling journey behind it and Baltimore within easy reach, the sailboat EF Language hit a wave.

It was a wave like any other that had pelted and tossed the 65-foot (20-meter) sloop from Cape Horn to the Tasman Sea, but this time Marco Constant was in the wrong place.

"He was on the top step of the companionway," his crewmate Josh Belsky said this week, with the boat safely tied up in the Inner Harbor. "He launched him," Belsky said. "He did a triple-gainer and came down hard" six feet below on the floor of the cabin. The hand that broke the fall bent 90 degrees and stayed there.

"The only thing I could compare it to is when Lawrence Taylor broke Joe Theismann's leg in football," Belsky said. "You didn't want to look."

While Constant was still in shock, his crewmate Klabb Nylof grabbed his hand, yanked it and put it back where it was sort of supposed to be."

Belsky said. "Then we wrapped it in tape that hardens into a cast and put him to bed."

Constant lay bouncing and lurching on his pipe berth all night as the boat flew off 10-foot waves and smashed into troughs below with a shuddering noise like glass breaking in a car accident," said Mark Rudiger of California, EF's navigator. "We had morphine," said skipper Paul Cayard, also from California. "But he wouldn't take it."

That's what it takes to be a Whitbread crew member: the people on board the boats are as tough as the fleet of nine low-slung, wet, cold, uncomfortable, lightning-quick, stripped-out race boats that sped in the last few months through the globe's most perilous waters — the Southern Ocean that rings Antarctica.

This is the body of water about which the late single-handed American sailor Mike Plant once said: "Everything is 30. The wind blows 30, the air temperature is 30, the water temperature is in the 30s and the waves are 30 feet high." With the Whitbread boats, he could add another 30 — the speed in knots at which the boats slither down waves.

This past week, the Whitbread fleet hit Baltimore for the first time after taking an unexpected hamming on the 870-mile (1,400-kilometer) leg from the 870-mile (1,400-kilometer) leg from

Baltimore, Florida. Twenty-five-knot north-easterly winds built waves on the north-flowing Gulf Stream into aquatic cinder blocks. "You couldn't sleep for all the stuff flying around," Rudiger said.

It is nothing new to Whitbread sailors, whose lives at sea are a weary battle for survival interspersed with rushed stopovers in ports where they refurbish the boats for the next leg. They left England in September and return there next month after stops in South Africa, Australia, New Zealand, Brazil, Florida, Baltimore/Annapolis and France.

With 27,500 miles behind them, the nine boats and 108 sailors were preparing to depart from the Chesapeake on Sunday for more misery on the 3,500-mile plunge past North Atlantic icebergs to Europe, leaving landlubbers to ponder who these masochistic, modern-day Magellans are and what makes them tick.

They are the top professional racing sailors in the world, coming to the Whitbread from the Olympics, the America's Cup and the highest levels of world big-boat and dinghy competition. They race boats for a living, and to many the Whitbread is the pinnacle of the sport.

"It's a real, live adventure unfolding before your eyes," said Belsky, another American on the

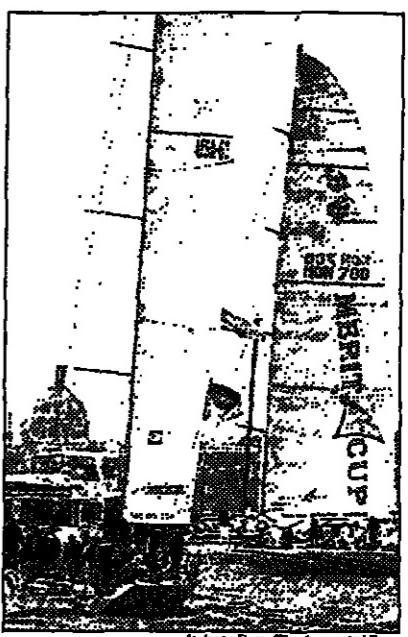
EF, which is leading. "It's an Everest climb, with the added factor that eight other teams are racing you to the top. If you win you get a trophy, and that's all you should get. All I want is to say I did the hardest yacht race there is — and won."

Today's Whitbread is a fully professional event. Crew members are paid from \$50,000 to \$150,000 and skippers get more from corporate sponsors such as EF, a Swedish language-education company, seeking to spread their names on a global stage.

It wasn't always so. The first Whitbread in 1973-74 was a quirky event for amateurs seeking to test themselves against the fabled Southern Ocean. Three died that year in wild conditions. Some boats left England with bilges packed with wine and rum.

"The first Whitbread I did," said a New Zealander, Mike Quilter, 44, now in his fourth, "was all fun and no work. Now it's all work and no fun."

But in the quarter-century since the inaugural race, only one more sailor has perished as the Whitbread has grown to a serious, sponsored event with corporations backing entries at about \$10 million apiece and top-shelf sailors such as Cayard, a four-time America's Cup veteran and former Star-class world champion, leading the way.



Two Whitbread yachts, Chessy Racing and Merit Cup, sailing into Annapolis Harbor in Maryland.

Associated Press
sailing to the 200th
father.

tics were

e protest,
weapons
ns child-
sights and
lay prom-
is, and to
prices.
bandugs
said Tina
founder
San Fran-

nowton

SCOREBOARD**BASEBALL****MAJOR LEAGUE STANDINGS****AMERICAN LEAGUE****EAST DIVISION****WEST DIVISION****NATIONAL LEAGUE****EAST DIVISION****CENTRAL DIVISION****WEST DIVISION****NATIONAL LEAGUE****EAST DIVISION****CENTRAL DIVISION****WEST DIVISION****WORLD SERIES****AMERICAN LEAGUE****EAST DIVISION**

DAVE BARRY

Up the Olfactory Canal

MIAMI—Of all the human senses—sight, hearing, touch, taste and the feeling that a huge man with a barbecue fork is lurking in the closet—perhaps the least appreciated, yet most important, is our sense of smell.

How does our sense of smell work? The simplest way to explain it without doing any research is as follows: Every living thing—animals, plants, cheese, magazine advertisements, etc.—is constantly giving off tiny invisible pieces of itself, which scientists call “smell particles.” Suppose that you have just entered a room that contains a fudge brownie. As you approach the brownie, your nose sniffs up smell particles from it and passes them along into the Olfactory Canal, which was completed in 1825 and goes to Albany, New York.

No, sorry, wrong canal. The Olfactory Canal takes the particles to your brain, which is actually a fabulously complex computer, which means that on Jan. 1, 2000, it will stop working and your body will flop around like a recently caught perch. But until then, your brain is able to detect the presence of the brownie particles, and, after analyzing them via a subtle electrochemical process involving billions of tiny neural circuits performing highly sophisticated, lightning-fast calculations, produce the following thought: “Yum!”

Your brain then transmits a signal to your hand, telling it to go ahead and put the brownie into your mouth; almost instantaneously, your hand responds with the signal informing your brain that you ate the brownie several minutes earlier, because your hand and your mouth agreed many years ago that, as far as chocolate is concerned, there is no need to involve your brain.

Thus we see that our sense of smell is not as important as it seemed to be back at the start of this article. In fact, our sense of smell can actually be dangerous, because it stands to reason that if our nose inhaled too many particles into our brains, eventually a dense particle wad will form inside us, and our heads will explode, sending compressed brownie chunks hurling outward fast enough to pass through a brick wall.

But the question remains: Why do we have a sense of smell in the first place? The answer is that smell once played a vital role in the survival of the human race, back when we were primitive beings who ran around naked. No, I am not talking about the ‘60s; I am talking about prehistoric times, when primitive men had to hunt for food to feed their families. They’d creep along naked through the underbrush, and every few minutes they would pause to sniff the air for the scent of prey. Of course, since this was nearly a million years before the invention of soap, all they could smell was their own armpits: the animals could easily detect them at a range of 35 miles. As a result, the hunters never captured any animal that had not already died of natural causes, although when the hunters brought this animal back to the primitive village, they’d make up a story to impress the women with their bravery and prowess. “Whew!” they would say. “You should have seen the ferocious fight this wild animal put up!”

“That wild animal is a rotting squirrel,” the women would respond, “and you get it out of this primitive village NOW.”

Men and women are still divided on the issue of smell. Most women are very sensitive to odors, whereas men, largely as a result of smelling their own selves over the eons, have reached

the point where they tend not to detect any aroma below the level of a municipal dump.

That’s certainly the way it is in my household. At least five times per week, my wife and I have the same conversation. Michelle says:

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you about the fascinating topic of smell, but unfortunately I have no idea what they are. So I will conclude this discussion with this thought: Keep sniffing! But don’t inhale.

© 1998, The Miami Herald
Distributed by Tribune Media Services Inc.

Perhaps you know someone who tends to emit B.O. rays?

“What’s that smell?” And I say, “What smell?” And she looks at me as though I am demented and says: “You can’t SMELL that!”

The truth is, there could be a stack of truck tires burning in the living room, and I wouldn’t necessarily smell it. Whereas Michelle can detect a lone spoiled grape two houses away. When she takes food out of the refrigerator, she always sniffs it, and she immediately discards it if it smells remotely suspicious. I, on the other hand, will cheerfully eat a cold cut that was manufactured during the Aztec empire.

This Male Smelling Deficiency Syndrome, or MSDS, explains why women generally smell pretty good, whereas some men particularly men who sit next to you on airplanes, smell like the Football Team Laundry Bag From Hell. Perhaps you know somebody who tends to emit B.O. rays, and you have been wondering what is the best way to tell him. The answer is: sensitively.

There are many, many more exciting facts I could tell you